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Greece... 23.10 Dn. Hungary... 16.00 Dn. India... 1.00 Dn.
Italy... 20.00 Dn. Japan... 1.00 Dn. Korea... 1.00 Dn.
Luxembourg... 4.50 Dn. Mexico... 1.00 Dn. Netherlands... 1.00 Dn.
Norway... 1.00 Dn. Poland... 1.00 Dn. Portugal... 1.00 Dn.
Romania... 1.00 Dn. Saudi Arabia... 1.00 Dn. Spain... 1.00 Dn.
Sweden... 1.00 Dn. Switzerland... 1.00 Dn. Taiwan... 1.00 Dn.
Thailand... 1.00 Dn. Turkey... 1.00 Dn. U.S. & Canada... 1.00 Dn.
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U.S. Panel Upsets Accepted Thinking on Missiles

Group Tells Reagan Deterrence Is Guaranteed for Now, but MX Is Needed to Buy Time

By Leslie H. Gelb
New York Times Service
WASHINGTON — The report of the Presidential Commission on Strategic Forces virtually repeats six years of debate about the growing vulnerability of fixed land-based missiles to a Soviet attack and the consequent doubts about American nuclear deterrent power. As with John F. Kennedy's charge in the 1960 presidential campaign that there was a "missile gap" favoring the Soviet Union, Ronald Reagan's campaign warnings about the "window of vulnerability" have been transformed into a problem for the future. The bipartisan report states that the vulnerability of land-based missiles is a problem and that "reasonable survivability of fixed targets, such as ICBM silos, may not outlast this century."

But it cautions repeatedly that the full breadth of American nuclear power — long-range bombers, submarine-launched missiles and land-based missiles — guarantees deterrence. Commission members, headed by Brent Scowcroft, a retired air force general, said they felt the air had to be cleared of the imminent specter of vulnerability before anything sensible could be done to modernize strategic forces or to move ahead on strategic arms control. In particular, commission members said, the panel was looking for a new way to justify the deployment of 100 new MX missiles in existing Minuteman-3 silos. This was something Congress had made clear it would not countenance as long as missiles in silos were declared to be vulnerable. The question asked and never satisfactorily answered was: Why spend a lot of money to replace one vulnerable missile with another?

Without exception, the members said they believed the MX was essential to reduce Soviet advantages in land-based missile power, to "help deter the threat of conventional or limited nuclear attacks" on U.S. allies and to use as a lever to pry concessions from Moscow in the arms-reductions talks. The commission members say the answer can only be the MX and not an upgraded Minuteman. Because the MX would have greater accuracy and power than the Minuteman, it would be more capable of destroying Soviet targets hardened with concrete, such as missile silos. Several commission members said their main task was finding a way to sell the MX to a Congress made skeptical by past basing schemes that failed to withstand close scrutiny. To make the MX more palatable to those who worry about vulnerability, the commission urged that a high-priority effort be made to develop a small, land-based mobile missile by the early 1990s as a supplement to the MX. For those interested in arms control, the commission offered a new approach based on limiting the number of nuclear warheads rather than numbers of strategic delivery vehicles, such as missiles and bombers. The Scowcroft panel noted that

while in theory the Russians had missiles capable of destroying hardened, fixed silos, they would face "problems of operational accuracy" and "planning uncertainties." The commission used an old argument in a new way to explain why the bombers and the land-based MX missiles would not be immediately vulnerable. According to the report, if Soviet war planners were to strike at American forces "with simultaneous detonations," that is, by "delaying launches from close-in submarines so that such missiles would arrive at our bomber bases at the same time as the Soviet ICBMs would arrive at our ICBM silos — then a very high proportion of American alert bombers would have escaped before their bases were struck." Why? Because the bombers, warned by the launching of Soviet intercontinental ballistic

missiles, would have taken off to safety. ICBM stands for intercontinental ballistic missile. On the other hand, the report said, if Moscow were to launch its land-based and submarine-based missiles at the same time, hoping to destroy a higher proportion of U.S. bombers, "there would be a period of over a quarter of an hour after nuclear detonations had occurred on U.S. bomber bases but before our ICBMs had been struck." In this event, American ICBMs could be launched "after massive nuclear detonations had already occurred on U.S. soil by the warheads of the Soviet submarine-launched ballistic missiles. The report said this situation could not be expected to last and that the MX was needed to buy time. It expressed the belief that the long-term answer was a small mobile missile based on military reservations. Commission members stressed, however, that more study and development of small missiles was needed. The Scowcroft group felt strongly



Brent Scowcroft

Reagan Urges 'Bold Moves' By Palestinians

For an Arab summit conference convenes later this month in Morocco. The Gulf News Agency, in a report from Morocco, quoted Arab sources as saying the initiative would outline practical procedures for putting peace negotiations into motion.

The agency, which is based in Bahrain, said the idea of such a summit was supported by Mr. Reagan during a telephone conversation with King Hussein of Morocco. Moroccan officials said last week that only the six Arab countries of the Gulf region, and the Palestine Liberation Organization, had formally accepted King Hussein's invitation. Syria and Jordan have refrained from any commitment on the summit, and Sunday's announcement of the breakdown of the PLO-Jordanian talks was expected to make other Arab nations especially hesitant. In another development, Philip C. Habib, the special U.S. envoy, unexpectedly joined Israeli and Lebanese negotiators Tuesday in Netanyahu, Israel, for what an Israeli spokesman described as a "constructive and intensive" session of the talks on the withdrawal of foreign troops from Lebanon. Mr. Habib's deputy, Morris Draper, had mediated the talks since they began in late December. Israeli officials later said Mr. Habib would continue leading the U.S. delegation, apparently until Mr. Draper returns from Washington, where he returned recently for consultations. Mr. Habib scheduled a meeting Wednesday with Prime Minister (Continued on Page 2, Col. 6)

U.S. Urges Safeguards Against War

The Associated Press

WASHINGTON — The U.S. Defense Department announced Tuesday that it had proposed to the Soviet Union four measures to lessen the danger of a nuclear war launched by accident or miscalculation. The proposals would add a high-speed facsimile transmission capability to the hot line linking U.S. and Soviet leaders, create a military communications link between the two countries, establish high-speed data links with embassies in the two superpowers' capitals, and provide for consultation in the event of terrorist incidents involving nuclear arms. Defense Secretary Casper W. Weinberger said at a news conference that the chances of an accidental nuclear war are "extremely remote," and that he considers the measures "very simple matters" that he can be resolved quickly in talks with the Soviet Union. The secretary said he had discussed the proposals last week with Anatoly F. Dobrynin, the Soviet ambassador to the United States. The United States has already tried to formally propose the matters at arms limitation talks now going on in Geneva, Mr. Weinberger said, but the Soviet Union would not agree to considering the proposals separately at the talks.



PINNING THE BLAME — A banner saying "Seveso Poison: Roche Is Responsible," was hung Tuesday by protesters at the Swiss company Hoffmann-La Roche in Basel. The company is owner of a plant in Seveso, Italy, at which an accident produced tons of material contaminated by dioxin, a dangerous chemical. Protesters say the waste has been improperly sent from Italy to another country.

Walesa Holds Meeting With Union Fugitives

By Dan Fisher
Los Angeles Times Service

WARSAW — In his boldest move since pledging a "stronger line" against the Polish authorities five weeks ago, Lech Walesa met secretly for three days last week with fugitive leaders of the Solidarity underground, the union leader revealed in a surprise announcement Tuesday. The two-sentence announcement, which was read to reporters over the telephone by an aide at his home in suburban Gdansk, said Mr. Walesa and the clandestine "provisional coordinating committee" (TKK by its Polish initials) had discussed "the country's present situation and coordinated their stands." It was the first known contact between Mr. Walesa and the underground leaders, since the Solidarity chairman was interned on Dec. 13, 1981. The five-TKK members, all of whom eluded arrest when martial law was imposed in Poland 16 months ago, are considered among the country's most wanted fugitives. But initial reaction to Mr. Walesa's announcement by Polish officials suggested that they do not intend any immediate legal action against the union leader. "According to my knowledge of law, meeting with someone who continues criminal activity is not a crime, although it is a crime to help someone who is wanted to remain in hiding," said Jerzy Urban, the government spokesman. A spokesman for the Interior Ministry also said that the meeting did not constitute a violation of any law, but an official in the prosecutor's office said Mr. Walesa might be subject to arrest "depending on what was discussed." Mr. Walesa said in a telephone conversation late Tuesday that he had not been contacted by Polish officials either about the earlier announcement or about the meeting. Neither Mr. Walesa nor his aides would elaborate on their communication, however, leaving a number of questions unanswered. Among them: How could a man who is presumably watched by the police as closely as Mr. Walesa meet with wanted fugitives without exposing the underground leaders to capture? Why did the two sides risk such a meeting now when both had apparently been loath to make contact immediately after Mr. Walesa was released from internment in November? What, if any, agreement did the Solidarity leaders reach regarding goals and tactics in the face of continuing police pressure? One thing that is clear is that the meeting comes after a period in which Mr. Walesa has taken an increasingly combative attitude toward the government.

Israel's Hidden Poor

Gap Between Ethnic Groups Puts Sephardic Jews at the Bottom

(The second of three articles on divisions between Israel's two Jewish cultures.)

By David K. Shipler
New York Times Service

JERUSALEM — A casual observer scarcely notices the poverty in Israel. It exists behind a screen of moderate well-being. It has not scarred the urban landscapes with vandalized, burned-out neighborhoods of obvious despair, as in some cities. But it is there, a permanent and corrosive element of Israeli society. "In my opinion, the biggest problem of Israel today is not defense and not security — it is the social gap," said Meir Shitreet, 33, mayor of Yavne, south of Tel Aviv, and a member of Parliament from Prime Minister Menachem Begin's Likud bloc. "There are 500,000 people in 166 distressed neighborhoods living in poverty," Mr. Shitreet said. "There are thousands of people sitting in jail as criminals, thousands of children who leave school before finishing high school. There is a loss of self-responsibility of the people. It is very serious." The gravity of the problem is compounded by its ethnic component. For the vast majority of the poor are Sephardic Jews, those of families who came mostly from the Islamic countries of North Africa and the Middle East. Ashkenazic Jews, those of European and American background, are most heavily represented in the upper socioeconomic levels. The conflict is therefore a potent one, involving class and ethnicity. Nobody who has seen urban slums elsewhere would find anything shocking in the poor quarters of Tel Aviv and Jerusalem, or in the barren "development towns" of Israel. For many, there appears to be no escape. Bad schools and disrupted families breed school dropouts who often have brushes with the law. Young men with police records are usually considered unfit for army service, and as Israeli without an army record bears a lifetime stigma that affects his ability to find decent work. The pain and anger of all this surface easily nowadays. Several weeks ago, at the beginning of a recent community meeting in the Hatikvah quarter, a middle-aged woman talked about her tiny, two-room apartment, its walls constantly wet in the winter's rainy season, her daughter's rheumatism worsened by the unending dampness. (Continued on Page 3, Col. 1)

Hanoi Is Encouraging Vietnamese To Settle in Cambodian Districts

By William Branigin
Washington Post Service

BANGKOK — Vietnamese civilians are moving into Cambodia in growing numbers under a new policy designed to encourage settlement of that country, already occupied by as many as 180,000 Vietnamese troops, according to Western diplomatic and academic sources. The policy is explained in two documents issued by the Vietnamese-installed government in Phnom Penh and smuggled to the Thai-Cambodian border, apparently by dissidents who oppose the Vietnamese settlement. The documents' authenticity, and the reality of the policy, were confirmed by recent visitors to Phnom Penh and Hanoi. While the analysts in Bangkok agree that the situation, beset by potentially serious repercussions, differs as to whether the policy is part of a long-range Vietnamese plan to dominate Cambodia politically or a short-range measure intended to help both countries economically. But the documents seem certain to fuel a charge repeatedly leveled by Vietnam's opponents: that Hanoi seeks in effect to "colonize" Cambodia. At the least, the documents indicate that Vietnam and its protégé government in Phnom Penh led by Heng Samrin consider the settlement issue politically sensitive. The circulars, dated Sept. 13 and Oct. 9 of last year, acknowledge that the issue is "complicated and easy for the enemy to inflame." They express fear that opposition could "slow down the psychological warfare to divide the two nations," and they call for efforts to eliminate "narrow-minded nationalism" among both Cambodians and Vietnamese. According to the Oct. 9 circular signed by the Phnom Penh government's prime minister, Chen Si, about 50,000 Vietnamese lived in Cambodia before 1969. It said they were involved in farming, fishing and handicrafts or earned a living as "salt workers" or "petty traders." The document said their lot worsened when the Lon Nol government came to power in 1970. It said the Vietnamese later suffered torture and execution when the communist Khmer Rouge led by Pol Pot took over in 1975. "Those who survived are very few," the circular said. It went on to instruct "all ministries, state institutions at the center and peoples' revolutionary committees of each province and municipality" to "assist and support" those surviving Vietnamese who have "returned to Kampuchea [Cambodia] to live and work honestly." In addition, the document called on authorities to help "Vietnamese people who have come following the day of liberation" — an apparent reference to the January 1979 ouster of the Khmer Rouge by invading Vietnamese forces — and who are involved in "work to rectify and expand the economy such as farming, lumbering, fishing, salt working and handicrafts." The document concluded by calling on the Cambodian authorities to work with the Vietnamese advisers toward "expanding rapidly" the movement of the Vietnamese people. According to a U.S. diplomat here in Bangkok who closely monitors Cambodia, the new policy "is clearly facilitating and encouraging Vietnamese immigration." He said the settlement went far beyond the return of former residents. "My view is it's a clear indication that the Vietnamese have left the option open of absorbing Cambodia if the Heng Samrin regime can't ever get its act together," the diplomat said. That view is disputed by William Turley, a visiting American professor at Bangkok's Chulalongkorn University, who recently went to Hanoi and discussed the issue at length with a senior Foreign Ministry official. He said the official, whom he named, requested anonymity in any articles about the trip. Professor Turley said he believed the main reason for the settlement policy was to develop the Cambodian economy. He said this development "depends on the presence of people who can perform certain economic functions" and that Cambodia lacks these people. According to Professor Turley, the official said that "it is normal for Vietnamese to want to live in Cambodia, but their treatment has not been good." The official said Hanoi sought to eliminate discrimination, so that Vietnamese residents in Cambodia would be treated of the same as Cambodians. He said that while former Vietnamese residents of Cambodia would be allowed to return freely, "others must seek permission, and these others are subject to limits," Professor Turley said. He said the official did not elaborate. ■ Evacuation Sites Prepared International relief agencies Tuesday were preparing emergency evacuation sites for about 100,000 Cambodians following reports that Vietnamese units were in position to strike against two encampments along the Thai-Cambodian border. The Associated Press reported from Aranyaprathet, Thailand. Thai military sources in the frontier town said sizable Vietnamese forces, backed by tanks and artillery, had moved into positions threatening Ban Sangae and Nong Samet, two Cambodian camps housing large civilian populations as well as guerrillas. Ban Sangae, a long, narrow settlement running parallel to the border, contains about 23,000 civilians while Nong Samet, which Western sources say spills over into Thailand, holds more than 77,000. Both camps are controlled by the Khmer People's National Liberation Front. A senior relief agency official said two emergency evacuation sites were being set up inside Thailand opposite the two bases. Makeshift housing material, 200 water tanks and platforms for field hospitals have been prepared.

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Ben Kingsley's portrayal of India's famed leader helped the film "Gandhi" to win eight Academy Awards, including best actor for Kingsley. Story on the Back Page.

Pentecostals Leave U.S. Embassy in Soviet

By Dusko Doder
Washington Post Service

MOSCOW — Six Soviet Pentecostals who took refuge in the U.S. Embassy here last Friday were being helped to leave the Soviet Union, left their sanctuary voluntarily Tuesday night to return home in the hope that they will be granted permission to emigrate. A spokesman for the group, Lyuba Vashchenko, 30, told journalists gathered inside the embassy compound that they were returning to their hometown of Chernogorsk, in Siberia, where they would apply for exit visas to emigrate to Israel. The decision to leave the embassy, she said, was made by the group after her sister Lidya, 32, was allowed to emigrate to Israel last week. Lidya was the first of the original group of seven Pentecostals to leave the embassy after a 34-day hunger strike. She was hospitalized and returned to Chernogorsk in February 1982. "Lidya's departure was a good sign for us, for our family. We plan to go to Lidya," Lyuba said. "Our hope is God. He never left us and will never leave us." The six, as well as four members of their families who were let into the embassy for the occasion, were taken in U.S. Embassy vehicles to Moscow's Domodedovo airport to fly back to Siberia later Tuesday night. A number of U.S. diplomats escorted the group. Warren Zimmermann, deputy chief of mission, refused to comment on possible U.S.-Soviet talks about the group's fate. He said "the decision to leave was their own." Soviet police guards made no attempt to stop or inspect the vehicles as they left the embassy. Nor were there any problems at the airport as the group left on two separate flights holding tickets paid for by the U.S. Embassy, according to embassy officials. It was expected that the Soviet authorities would eventually allow the group to emigrate to Israel, although legal complications may be involved. The group consists of the Vashchenko and Chumykalov families, both of Chernogorsk. The Vashchenkos have 13 children while the Chumykalovs have nine, most of whom had remained in Chernogorsk. With Lidya Vashchenko already in Israel, her family could legally seek reunification under the Holtsminko order. The Chumykalovs do not have any relatives abroad. "This is the biggest risk of our lives we are taking," said Augustina Vashchenko, 54, who with her husband, Pyotr, 55, and two of their daughters entered the embassy last week. "It's a big risk," agreed Timofei Chumykalov, 20. He and his mother, Maria, 60, were the only members of the Chumykalov family to barge past the guards into the embassy leaving the rest of the family in Chernogorsk. "It's strange to imagine how I will walk along the street," said Lyuba Vashchenko, who now speaks fluent English. Maria Chumykalov said U.S. Ambassador Arthur Hartman talked with the group Tuesday afternoon. "He told us the moment was right to move but that we should decide what to do. He said he was not going to throw us out." An embassy spokesman said Mr. Hartman went to bid farewell to the two families. "The ambassador told them their departure from the embassy would not change our strong desire to work for their emigration," the spokesman added. The two families have been trying for the past 23 years to leave the Soviet Union for a Western country where they could practice their evangelical faith. Their religious practices ban sending children to state schools and army service, both of which are required by Soviet law. Members of the Pentecostal faith are scattered across the Soviet Union with a preponderance in Siberia. The exact number of believers is not known but several thousands have sought emigration to the West.



GERMAN CENSUS — A Lower Saxony state official shows an enlarged questionnaire to census takers in Hanover that is to be used in the national head count scheduled for April 27. West Germany's highest court is to announce Wednesday whether the census violates the federal constitution. Its opponents believe the census requires too much personal information that could be used by the police.

MX Faces Tough Fight, Key Congressmen Say

By Margot Hornblower and George C. Wilson

WASHINGTON — The MX missile deployment plan recommended to President Ronald Reagan on Monday is sure to encounter political turbulence but stands a chance of gaining congressional approval, according to influential Democrats and Republicans in Congress.

"The president has got a hard road ahead of him to sell it," said Representative Jack Edwards, an Alabama Republican. That seemed to be the prevailing view on the recommendation by the president's MX advisory commission that 100 of the missiles, each of which has 10 warheads, be placed in reinforced silos built for Minuteman-3 and Titan-2 missiles while a smaller, single-warhead missile is developed.

The panel, chaired by Brent Scowcroft, a retired air force general, also supported Mr. Reagan's call for research on a system to defend against ballistic missiles. "He's going to have to put on the full-court press and talk to a lot of members of the House and Senate personally," said Mr. Edwards, the ranking Republican on the House Appropriations subcommittee on defense. Mr. Edwards led the unsuccessful attempt in the House last year to secure funding for MX production.

The advisory panel had consulted closely both with administration figures and with influential congressmen. Two of these, Senator Henry M. Jackson of Washington and Representative Les Aspin of Wisconsin, both Democrats, sought to broaden support for the plan.

"It's a realistic package, but it's negotiable," Mr. Jackson said. "I see the House and Senate going for the MX, but I don't think 100 missiles is the final number."

Communists in France Accept Socialist Policy

PARIS — The French Communist Party appeared Tuesday locked more firmly than ever into its role as subordinate partner in the Socialist-led government after ending its objections and backing a special austerity law.

Political commentators on both the right and left said the Communist decision Monday to lift a threat to withhold support for the law was a retreat that reflected the party's position as effective hostage of the Socialists.

The parliamentary vote Monday night on the austerity bill was the second time in a week that the government had inflicted embarrassment on its partner.

The pro-Moscow party, brought into the administration by President François Mitterrand in 1981, accepted without protest the government's decision last week to expel 47 Soviet officials from Paris for alleged spying.

The austerity bill, empowering the government to levy new taxes by decree, was approved by Parliament after the Communists said they had accepted promises from Prime Minister Pierre Mauroy that he would modify some measures.

These will exempt the poorest from a new 1-percent increase in taxable income and further lighten the burden on lower wage earners of a compulsory loan to the state.

However, they fell far short of changes in the austerity program demanded earlier by the Communists as the price for their support of the decree law.

The Communists reluctantly ap-

Mr. Jackson, who is the ranking Democrat on the Armed Services Committee, said the commission report recognizes implicitly "that all land-based systems are vulnerable."

Mr. Aspin, a member of the House Armed Services Committee, called for a bipartisan solution to the missile question. "There's no good way to base the MX, so you might as well stick 'em into the old Minuteman holes as a short-term solution," he said.

Other congressional leaders on national security issues, including John G. Tower, a Texas Republican who chairs the Senate Armed Services Committee, and Sam Nunn, a Georgia Democrat who is one of that committee's most influential members, withheld comment on the MX panel's recommendations. Mr. Reagan is expected to make his views on the report known next week.

Senator John H. Chafee of Rhode Island, a Republican moderate, said he was worried that the MX might be viewed as a first-strike weapon. He also expressed concern about how the United States and Soviet Union could verify the number of missiles held by the other if both countries developed and deployed the sort of small, mobile missiles recommended by the Scowcroft panel.

Senator Mark O. Hatfield of Oregon, a Republican who chairs the Appropriations Committee, declined the panel's proposal as "nothing less than mad."

"We might as well also announce that America has adopted a first-strike nuclear strategy," he said.

Some military analysts say that multiwarhead missiles, such as the MX, are more likely to be seen by an opposing power as first-strike weapons, since each missile can destroy several targets while leaving the attacking nation with other missiles in reserve.

proved last week the principle of the austerity program but called for higher taxation of the rich and measures to exempt the lower paid.

They also opposed the use of the decree mechanism, much used by rightist governments in the past, and the Communist leader, Georges Marchais, said last week that the party was "not going to be forced to swallow bitter medicine."

The Communist leadership, which calculates it still has more to gain by staying in the administration, is facing growing unease among party militants over government policies that often appear closer to conservative than to Communist doctrines.

Apart from the austerity program, these include the administration's alignment with Washington in its attitude toward the Soviet Union and European security.

The party's parliamentary leader, André Lajoinie, said Tuesday the discontent affected only a small number, but commentators said publication of critical comments by the party weekly magazine, *Revolutions*, indicated something stronger.

"We're stuck," a militant was quoted as saying, adding: "The party is being led up the garden path and is staying silent. The government has given into Germany over European issues and to the bosses on the national level."

Interviewed on television, Mr. Lajoinie said the Communists still had a constructive role to play in ensuring that the government advanced on its promised program of leftist reforms.

U.K. Awaits Decision on A June Poll

By Thomas L. Friedman

AMMAN, Jordan — King Hussein feels he has exhausted all of his country's diplomatic choices in the search for peace in the Middle East and that, as far as Jordan is concerned, the attempt to find a settlement has reached a dead end.

This assessment was made public Monday night on the condition the source not be identified or directly quoted. It is not known whether these views are the same as those the king has expressed personally to President Ronald Reagan or other officials.

In view of the failure of Jordan and the Palestine Liberation Organization to agree on a strategy that might have enabled them to take part in American-sponsored peace talks, Hussein feels there is nothing more Jordan can do now to foster a settlement.

The king's views were in sharp contrast to the hopes expressed Sunday by Mr. Reagan, that somehow Hussein might still be persuaded to join peace talks based on the president's initiative.

Hussein will not rule out participating in the American initiative in the future, but he feels Jordan has done all it can now.

The king feels that as long as the Reagan administration cannot persuade Israel to stop the expansion of Jewish settlements in the West Bank and withdraw from Lebanon, there will be serious doubts about its ability to obtain even more important Israeli concessions in any peace talks with the Arabs.

In addition, the American unwillingness to deal directly with the PLO, and the PLO's reluctance to compromise on its conditions for participation in peace talks are also critical impediments.

There were indications that as long as there was no progress in these key areas, Jordan would remain on the sidelines.

Compiled by Our Staff From Dispatches

BAHRAIN — Iran and Iraq reported renewed artillery and air attacks in their Gulf war Tuesday, following an Iranian offensive.

Iran said its forces surrounded a military post 6 miles (10 kilometers) inside Iraq Tuesday morning and that the Iraqis had suffered 5,000 casualties since the start of the Iranian push Sunday night.

Iraq reported that its fighter planes and helicopter gunships were pounding Iranian positions and that 3,220 Iraqis had been killed Monday.

The latest hostilities all but extinguished hopes that the two countries might agree to at least a limited cease-fire to allow the repair of damaged Iranian wells leaking oil into the Gulf.

The Iranian news agency quoted military officials as saying that 70 percent of the objectives of the new thrust had been achieved. A military communiqué Monday night said 60 square miles (150 square kilometers) of Iraqi-held territory had been recaptured.

A military spokesman in Baghdad said Iraqi fighter and helicopter raids had inflicted heavy losses on Iranian forces and caused heavy fires among their stocks of equipment. Baghdad television showed film from the war zone, depicting hundreds of bodies in trenches.

Other Gulf countries continued their efforts to organize concerted action against the giant oil slick as winds and currents aided workers battling to keep the approaching spill from Bahrain's beaches.

Bahrain pollution officials said Tuesday that only a few heavy tar balls from the spill were reaching the island's beaches as winds helped keep the slick out in the Gulf. Workers continued to place a string of inflatable booms around the country's main power and sea water desalination plants.

In Kuwait, seven of the eight countries of the regional organization to protect the marine environment met Monday night to devise a combined plan of action against the slick. The Iranian deputy prime minister, Mirza Taheri, was expected in Kuwait later Tuesday amid speculation that the Gulf nations would reconvene another ministerial meeting on the slick Wednesday.

CHINA — China has announced plans for a second coal pipeline to be built with the aid of Western technology to help develop the country's vast coal reserves.

The New China News Agency said Monday night that the Fluor Corporation of the United States had signed a preliminary agreement to build a 600-mile (960-kilometer) coal slurry pipeline that would initially carry 15 million tons annually from Changzhi in Shanxi province, China's biggest coal-producing region, to the port of Nantong near Shanghai.

The official press agency also announced plans to build a pipeline using water to pump coal 430 miles (700 kilometers) from Jiangsu in Inner Mongolia to Qinhuaing, China's main coal port. Bechtel, the San Francisco-based energy group, agreed last month to conduct a feasibility study on the Jiangsu pipeline, which will cost about \$2 billion, industry sources said.

Industry sources said China was also considering building a third pipeline from Henan province to the Yangtze River port of Wuhan, one of the country's main heavy industrial centers.

In a meeting Monday with the Fluor delegation, Deng Xiaoping, China's paramount leader, affirmed China's open door economic policy. However, the official press agency continued its criticism of the United States for granting political asylum to Hu Na, a star tennis player.

The dispute over Miss Hu's defection has led to the suspension of official sports and cultural exchanges with the United States.

President Hosni Mubarak of Egypt indicated Tuesday he did not believe efforts by King Hussein and the PLO to reach an agreement on peace negotiations had reached a dead end, and he urged the talks be resumed. The Washington Post reported from Cairo.

Speaking at an airport news conference in Islamabad, Pakistan, where he was ending a 12-day Asian tour, the Egyptian leader said it was "imperative for our Palestinian friends to join Jordan in order to facilitate the negotiations to resolve the problem."

He said that reports of a final break between Mr. Arafat and the Jordanian monarch over acceptance of the Reagan plan "may not be quite precise," according to news agency reports from Islamabad. "We believe there is still a glimmer of hope," he said.

Mr. Mubarak had spoken to President Reagan by telephone earlier in the day.

Later, upon arriving back in Cairo, the Egyptian leader said Mr. Reagan had reaffirmed to him his intention of pursuing his peace initiative and said he still hoped Mr. Arafat and Hussein would reach an agreement. But he gave no indication what he thought the Reagan administration would do next to help bring about such an accord.

At the press conference in Islamabad, shown on Cairo's state-run television, Mr. Mubarak did not appear to be unduly upset by the latest news of events in the search for Middle East.

PYRUS BACKS REAGAN PLAN

Foreign Secretary Francis Pym of Britain, who met Tuesday in Amman with King Hussein, said afterward that there was no feasible alternative to President Reagan's plan as a starting point for the Middle East peace process, Reuters reported.

Dr. Akiba Eisenberg, 74, chief rabbi of Vienna and Austria for 35 years, of heart failure Thursday.

Hussein Reportedly Judges His Peace Role at Dead End

By Thomas L. Friedman

AMMAN, Jordan — King Hussein feels he has exhausted all of his country's diplomatic choices in the search for peace in the Middle East and that, as far as Jordan is concerned, the attempt to find a settlement has reached a dead end.

This assessment was made public Monday night on the condition the source not be identified or directly quoted. It is not known whether these views are the same as those the king has expressed personally to President Ronald Reagan or other officials.

In view of the failure of Jordan and the Palestine Liberation Organization to agree on a strategy that might have enabled them to take part in American-sponsored peace talks, Hussein feels there is nothing more Jordan can do now to foster a settlement.

The king's views were in sharp contrast to the hopes expressed Sunday by Mr. Reagan, that somehow Hussein might still be persuaded to join peace talks based on the president's initiative.

Hussein will not rule out participating in the American initiative in the future, but he feels Jordan has done all it can now.

The king feels that as long as the Reagan administration cannot persuade Israel to stop the expansion of Jewish settlements in the West Bank and withdraw from Lebanon, there will be serious doubts about its ability to obtain even more important Israeli concessions in any peace talks with the Arabs.

In addition, the American unwillingness to deal directly with the PLO, and the PLO's reluctance to compromise on its conditions for participation in peace talks are also critical impediments.

There were indications that as long as there was no progress in these key areas, Jordan would remain on the sidelines.

Iran and Iraq Pounding Each Other's Positions

Compiled by Our Staff From Dispatches

BAHRAIN — Iran and Iraq reported renewed artillery and air attacks in their Gulf war Tuesday, following an Iranian offensive.

Iran said its forces surrounded a military post 6 miles (10 kilometers) inside Iraq Tuesday morning and that the Iraqis had suffered 5,000 casualties since the start of the Iranian push Sunday night.

Iraq reported that its fighter planes and helicopter gunships were pounding Iranian positions and that 3,220 Iraqis had been killed Monday.

The latest hostilities all but extinguished hopes that the two countries might agree to at least a limited cease-fire to allow the repair of damaged Iranian wells leaking oil into the Gulf.

The Iranian news agency quoted military officials as saying that 70 percent of the objectives of the new thrust had been achieved. A military communiqué Monday night said 60 square miles (150 square kilometers) of Iraqi-held territory had been recaptured.

A military spokesman in Baghdad said Iraqi fighter and helicopter raids had inflicted heavy losses on Iranian forces and caused heavy fires among their stocks of equipment. Baghdad television showed film from the war zone, depicting hundreds of bodies in trenches.

Other Gulf countries continued their efforts to organize concerted action against the giant oil slick as winds and currents aided workers battling to keep the approaching spill from Bahrain's beaches.

Bahrain pollution officials said Tuesday that only a few heavy tar balls from the spill were reaching the island's beaches as winds helped keep the slick out in the Gulf. Workers continued to place a string of inflatable booms around the country's main power and sea water desalination plants.

In Kuwait, seven of the eight countries of the regional organization to protect the marine environment met Monday night to devise a combined plan of action against the slick. The Iranian deputy prime minister, Mirza Taheri, was expected in Kuwait later Tuesday amid speculation that the Gulf nations would reconvene another ministerial meeting on the slick Wednesday.

CHINA — China has announced plans for a second coal pipeline to be built with the aid of Western technology to help develop the country's vast coal reserves.

The New China News Agency said Monday night that the Fluor Corporation of the United States had signed a preliminary agreement to build a 600-mile (960-kilometer) coal slurry pipeline that would initially carry 15 million tons annually from Changzhi in Shanxi province, China's biggest coal-producing region, to the port of Nantong near Shanghai.

The official press agency also announced plans to build a pipeline using water to pump coal 430 miles (700 kilometers) from Jiangsu in Inner Mongolia to Qinhuaing, China's main coal port. Bechtel, the San Francisco-based energy group, agreed last month to conduct a feasibility study on the Jiangsu pipeline, which will cost about \$2 billion, industry sources said.

Industry sources said China was also considering building a third pipeline from Henan province to the Yangtze River port of Wuhan, one of the country's main heavy industrial centers.

In a meeting Monday with the Fluor delegation, Deng Xiaoping, China's paramount leader, affirmed China's open door economic policy. However, the official press agency continued its criticism of the United States for granting political asylum to Hu Na, a star tennis player.

The dispute over Miss Hu's defection has led to the suspension of official sports and cultural exchanges with the United States.

President Hosni Mubarak of Egypt indicated Tuesday he did not believe efforts by King Hussein and the PLO to reach an agreement on peace negotiations had reached a dead end, and he urged the talks be resumed. The Washington Post reported from Cairo.

Speaking at an airport news conference in Islamabad, Pakistan, where he was ending a 12-day Asian tour, the Egyptian leader said it was "imperative for our Palestinian friends to join Jordan in order to facilitate the negotiations to resolve the problem."

He said that reports of a final break between Mr. Arafat and the Jordanian monarch over acceptance of the Reagan plan "may not be quite precise," according to news agency reports from Islamabad. "We believe there is still a glimmer of hope," he said.

Mr. Mubarak had spoken to President Reagan by telephone earlier in the day.

Later, upon arriving back in Cairo, the Egyptian leader said Mr. Reagan had reaffirmed to him his intention of pursuing his peace initiative and said he still hoped Mr. Arafat and Hussein would reach an agreement. But he gave no indication what he thought the Reagan administration would do next to help bring about such an accord.

At the press conference in Islamabad, shown on Cairo's state-run television, Mr. Mubarak did not appear to be unduly upset by the latest news of events in the search for Middle East.

PYRUS BACKS REAGAN PLAN

Foreign Secretary Francis Pym of Britain, who met Tuesday in Amman with King Hussein, said afterward that there was no feasible alternative to President Reagan's plan as a starting point for the Middle East peace process, Reuters reported.

Dr. Akiba Eisenberg, 74, chief rabbi of Vienna and Austria for 35 years, of heart failure Thursday.

WORLD BRIEFS

Troops Quell Rioting in Pakistan

KARACHI, Pakistan (Reuters) — Troops were sent in to control an outbreak of religious violence in Karachi on Tuesday as thousands of Moslem demonstrators burned shops, houses and cars, witnesses said. Sixty people were reported arrested.

Residents said the troops arrived after police were unable to control a confrontation between Sunni and Shiite Moslems in the western sector of Karachi, Pakistan's largest city. The rioting was reportedly touched off by the stabbing of a Sunni youth that was blamed on Shiites.

Police earlier fired tear gas to break up a stone-throwing crowd in the predominantly Sunni area, where at least seven persons were killed last month in clashes between the sects, they said. The long-running conflict is over ownership of a mosque.

Egypt Court Rules in Coptic Case

CAIRO (UPI) — A Cairo court on Tuesday ordered the cancellation of the decision in 1981 by Anwar Sadat to establish a five-year council of bishops to run affairs of the Coptic Orthodox Church.

But the Administrative Court of the State Council, in a vaguely worded verdict, left it unclear whether deposed Patriarch Shenouda 3d is entitled to resume his duties as church leader.

Galal Abdel Hamid, presiding judge at the three-man court, announced the verdict in a packed courtroom. The audience clapped, apparently thinking the patriarch had won his legal battle against the government. About a month before his assassination in October 1981, Sadat appointed the council of bishops to run Coptic affairs after deposing the patriarch and banishing him to a monastery. Sadat accused him of inciting religious strife and rioting between Moslems and the estimated 7 million Coptic Christians in Egypt.

Senate Debate Begins on Adelman

WASHINGTON (AP) — The Senate debate on President Ronald Reagan's nominee to head the Arms Control and Disarmament Agency began Tuesday as Republican leaders scrambled for support among a small group of undecided members.

At best, they said, Kenneth L. Adelman would win confirmation by just one or two votes, and they added that the vote was "too close to call." Several Republicans remained seriously troubled about Mr. Adelman's qualifications, according to Ted Stevens of Alaska, assistant leader of the Republican majority.

Although a final vote is scheduled for Thursday, the first test could come Wednesday on a procedural motion to send the nomination back to the Foreign Relations Committee. Sending the nomination back to committee presumably would end Mr. Adelman's chances for approval since the panel voted 9-8 against his confirmation Feb. 24.

East German Musician Defects

BONN (UPI) — Thomas Sanderling, one of East Germany's top conductors, has defected to the West, it was reported Tuesday.

The Bild newspaper carried an interview with the 40-year-old musician, who regularly conducts all the leading East German orchestras, in which Mr. Sanderling said he would not return to East Berlin as scheduled after his current Western tour.

"No I will not go back," he told the newspaper. "I wish to be free to make my own artistic decisions. East German officials have hindered my quest to tour the West and prevented some visits," he said. Mr. Sanderling's father, Kurt, is the chief conductor of the East Berlin Symphony Orchestra.

Galtieri Under 60-Day Detention

BUENOS AIRES (Combined Dispatches) — Leopoldo Galtieri, the Argentine president during the war over the Falkland Islands, has been placed under detention for 60 days for criticizing the way Argentine officers waged the war, the Telam news agency said Tuesday.

In addition, an army tribunal of honor was established to review Mr. Galtieri's conduct, the official agency said.

Telam said the punishment was ordered by General Cristino Nicolaides, who succeeded Mr. Galtieri as army commander. The order followed publication April 2 of a newspaper interview in which Mr. Galtieri questioned the bravery of General Mario Menéndez, the former military governor of the islands, and said, "I thought we could have put up more of a fight."

Mr. Galtieri, who was forced to retire after the Falklands defeat and has led a reclusive existence since, probably will serve the 60-day detention at a military compound in the Buenos Aires area, according to DYN, a private news agency. The military honor tribunal could strip him of his right to wear a uniform and halt his military pension.

Greenland Votes for Parliament

NUUOK, Greenland (AP) — Greenlanders went to the polls Tuesday to elect a new Landsting, or parliament, with many signs of a possible defeat for the ruling party that persuaded the islanders to opt out of the European Community.

Bizzards nearly drowned out the closing stages of the campaign, and voters went to the polling stations here along streets lined with the largest snow drifts seen in years.

Greenland's geography, demography and electoral system make prediction polls virtually impossible. But a combination of electoral reform, disenchantment among Danes who make up 20 percent of the electorate of 35,000, and a flight by young voters to the leftist Inuit Ataqarsit (Eskimo Movement) Party threatened the absolute majority of the Simut (Forward) Party. In the last election in 1979 — the first after Greenland won home rule — Simut polled 46 percent of the votes against 42 percent for the more moderate Atassut Party.

Beijing Sets Free a Frenchman

PARIS (AP) — A Frenchman has been freed by China after spending 25 years in a labor camp and has returned to France, a spokesman for the Foreign Ministry confirmed Tuesday.

Raymond Ratillon, 49, the son of a Frenchman and a Chinese woman, was imprisoned in 1955 after refusing to sign a document hostile to Ignace Kung, then the Roman Catholic bishop of Shanghai. Mr. Ratillon was described in French press reports as a Catholic layman. The Foreign Ministry said Mr. Ratillon was in need of rest and was in a secret location in France.

It was believed here that Mr. Ratillon's release, which had long been requested by France, was a gesture by Beijing before the forthcoming visit to China of President François Mitterrand. In Beijing on Tuesday, the Foreign Ministry formally announced that Mr. Mitterrand would visit in early May. Exact dates will be announced later, the ministry said.

Italian-Bulgarian Rift Is Widening

ROME (AP) — Italy is withholding export credits for Bulgaria and the Sofia government has decided to renege visa requirements for Italians, Bulgarian diplomats reported Tuesday.

The developments are the latest in a series of moves reflecting the worsening relations between the two countries since the arrest of a Bulgarian in connection with the attempted assassination of Pope John Paul II.

Ludmil Popov, chargé d'affaires of the Bulgarian Embassy, said Italian tourists traveling to Bulgaria will need entry permits effective May 15. In an effort to attract Italian tourists and earn foreign exchange, Bulgaria has waived visa requirements for Italians since 1977 although Bulgarians have needed visas for Italy.

For the Record

BEIJING (Reuters) — Prime Minister Zhao Ziyang left Tuesday for a 10-day visit to New Zealand and Australia. The visits will mark the tenth anniversary of China's establishment of ties with the two countries.

BONN (Reuters) — Shipping on the Rhine and Moselle rivers has been halted and the city of Trier declared a state of emergency as flooding residential areas in Cologne, Bonn and Koblenz were flooded, causing damage valued at millions of Deutsche marks.

SINGAPORE (Reuters) — Prime Minister Lee Kuan Yew has dismissed the minister without portfolio, Lim Chee Onn, as trade union chief but is keeping him in the government pending reassignment. Mr. Lee said Tuesday that he dismissed Mr. Lim as secretary-general of the government-backed National Trades Union Congress because of increasing disquiet in the labor movement.

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HOLOCAUST MEMORIAL — President Ronald Reagan, addressing a conference of thousands of survivors of Nazi death camps on Monday night in Washington, said: "The security of your safe havens, here and in Israel, will never be compromised." He was given a scroll signed by more than 15,000 survivors thanking the U.S. armed forces of World War II for liberating Jews from the camps.

PLO Aide Says He'll Lay Wreath To Mark Warsaw Ghetto Uprising

By Dan Fisher
Los Angeles Times Service

WARSAW — The chief representative of the Palestine Liberation Organization here plans to lay a wreath during official ceremonies next week in honor of Jewish resistance fighters who died during the Warsaw ghetto uprising in 1943.

Yusef Yaseen, who functions as the PLO's ambassador to Warsaw, said Monday that he has notified organizers of commemorations for the special 40th anniversary of the uprising of his plans and that they have agreed.

Several hard-line Arab states have reportedly protested to the Polish authorities for organizing the commemoration of the struggle of the Warsaw Jews.

Mr. Yaseen denied that PLO participation in the ceremonies represented anything unusual.

"We are not against Jews as Jews," he said. "We are against the Zionist movement. As concerns Jews, especially those who struggled against Nazis, we are in their camp and we are with them."

Asked if other Arab officials here were aware that he intended to lay the wreath Tuesday, Mr. Yaseen said: "I don't think so." He added that while "I don't think" those delegations would be opposed to the PLO plan and even if they were "we don't mind that."

Yaseen had been the only Arab delegation expected to participate in the ceremonies.

Polish government and Communist Party sources have said that Libya, Algeria, and Syria have objected specifically to the anniversary program. The two-week series of special conferences, services and cultural events opened last weekend.

The climax was to be Tuesday, the 40th anniversary of the day on which Nazi troops came to round up the last of what had once been about 400,000 Jews crammed inside the ghetto.

The Polish authorities are hoping that the commemoration will help them break out of the international isolation in which they found themselves after their declaration of martial law in December 1981.

"They have invited prominent Jews from throughout the world. While some Jewish groups have urged that the celebrations be boycotted, the organizers said they still expected more than 1,000 Jews from abroad, including several hundred from Israel."

It is still unclear whether any Israelis have been invited or will attend as official representatives of the Israeli government. Like all Soviet bloc countries except Romania, Poland does not maintain diplomatic relations with Israel.

Even as it has devoted an increasing amount of space to the uprising, Polish news organizations have continued to attack Israeli policy and support the demands of the Palestinians.

While reporting Monday on a weekend Mass in honor of the anniversary, for example, the newspaper *Life of Warsaw* criticized "the warped soul of Israel."

It said that the policy conducted by Israel toward Palestinians was a "contradiction of the values and ideals for which thousands of Warsaw ghetto heroes gave their lives."

It added that methods used by Israeli rightists appeared to many people close to "those which were applied against Jews 40 years ago in countries of occupied Europe."

Poverty Hits Sephardim Hardest

(Continued from Page 1)

ness, her husband's heart ailment forcing him out of work. As she spoke, her voice broke and she began to weep.

She was followed by a younger, angrier woman who complained heatedly to the city officials on the dais that while the bureaucracy fumbled and failed to act on her request for better housing she and her children continued to live below an apartment that had become a busy brothel every night.

There were complaints about bad roads, high fees for day-care centers and the lack of cultural activities in the neighborhood. A young man said young couples could not find housing. A woman said children who went through primary schools in the neighborhood had difficulty managing in high schools, even vocational schools.

In the adjacent quarter of Kfar Shalem, Roumit Gerafi, who came from Yemen in 1940, sat in one of the three rooms of her old, concrete house, where she has raised four daughters. The tile floor had no carpets, the concrete walls were bare and the main room was dominated by a huge color television set.

"I'm always living in debt," she said. Her husband, Simmel, works as a janitor, she said.

"It's really getting tougher. Everyone feels it — even someone who earns well." She cuts down on clothing and entertainment, but not food, she explained. She would like to be able to buy a modern apartment of her own.

Does she blame Mr. Begin or the government for the hardship? "I don't blame anyone," she said. "I blame my life."

Stirring the poor out of their resignation was one goal of the community meeting in Hatzikvah. It was called by a group of New Yorkers who were here overseeing the use of money they have raised at home to help the slum.

Hatzikvah is one of 84 Israeli neighborhoods that have been paired with Jewish communities in the United States and Western Europe under a program called Project Renewal. The effort is intended both to finance specific projects and mobilize residents to press for governmental action.

Many Sephardim, and especially those in distressed neighborhoods, have acted out their sense of alienation by voting heavily against the old establishment of the Labor Party since 1977, when they first put Mr. Begin's Likud bloc into power.

They have clashed with municipal officials over inadequate benefits, and with the police over attempts to evict them.

The worst confrontation came last December when a 26-year-old man in the Kfar Shalem neighborhood drew a pistol during a protest against the demolition of an addition to his family's house, built without a permit. A policeman shot him to death, setting off a wave of demonstrations that led to the painting of swastikas and vitriolic anti-Ashkenazic slogans on cars and buildings.

"If I divide the population of Israel into 10 parts, the two bottom parts are 85 percent Sephardim," said Mr. Shitret, who was brought by his parents from Morocco when he was seven.

"Ninety-five percent of those sitting in jail are Sephardim," he said. "You find a very small percentage in political institutions, in culture, in music. I am afraid the tensions between ethnic groups in Israel are very high."

Every statistic illustrates the gap. Urban family income was 20 percent lower for Sephardim than Ashkenazim in 1981, according to the Central Bureau of Statistics, a greater gap than the 15 percent difference during the previous four years.

The upper 20 percent of the country's urban residents earned 39.7 percent of the gross income in 1981, compared with 37 percent in 1976. The lower 20 percent earned 6.7 percent of the income, down from 8.3 percent in 1976.

The National Insurance Institute reported recently that 6 percent of Israelis were below the official poverty line in 1981, compared with 3 percent in 1977, when Mr. Begin came into office.

But Hanoch Smith, a respected pollster, noted that since the poverty line was calculated as a percentage of average income, the institute's figure should be taken less as a measure of absolute poverty than as an indicator of the growing spread between the upper and lower brackets.

Even many of those considered below the poverty line have experienced rising real income, he said, but less so than the middle class and the wealthy.

Official figures covering 1965 to 1978 suggest that Israeli society has not done well at reducing economic distance. Sephardim, in the generation after immigration, have not kept pace with the improvement in income of second-generation Ashkenazim. "This means that the gap between the groups increases with time spent in the country."

Similar patterns emerge in education and employment.

Sephardim have been badly underrepresented at the universities, making up a majority of the country's population, but a small minority of its college students. In 1978, only 17.5 percent of all uni-

House Panel Studies Dutch Antilles' Links To Tax Fraud in U.S.

By Jeff Gerth
New York Times Service

WASHINGTON — A House subcommittee has uncovered evidence showing widespread use of the Netherlands Antilles for tax evasion by figures in organized crime and by narcotics traffickers as well as by business executives, according to documents obtained by the committee and law enforcement agencies.

A Senate subcommittee found last month that banking centers such as the Bahamas, Grand Cayman Island and Panama were being used as conduits for the laundering of billions of dollars. But the Netherlands Antilles, formerly known as the Dutch West Indies, has not had a reputation for being connected to criminal activity.

According to the documents, Charles Kimball 3d, a Miami real estate consultant, was expected to tell the committee that millions of dollars in profits from arms sale by a group of Middle Eastern arms dealers to the Palestine Liberation Organization were invested in south Florida real estate through the use of a half dozen Netherlands Antilles corporations.

According to Mr. Kimball, there has been a dramatic increase in the past three years in the use of Antilles corporations by persons committing civil fraud in south Florida. For example, a Netherlands Antilles corporation was used to buy and sell nearly 3,000 acres (1,215 hectares) of south Florida real estate, a deal that produced a \$13-million profit on which no taxes apparently were paid, according to committee documents.

Mr. Kimball, who has been a consultant to government agencies seeking to trace the repatriation of illicit profits to the United States from offshore entities, said that the biggest portion of the billion dollars a year invested in south Florida real estate by foreign investors passes through Antilles corporations.

Another document cites a federal indictment in Florida involving the opening of a bank account in the name of a Netherlands Antilles corporation, Meivest N.V., to deposit and hide the proceeds from narcotics transactions in the United States.

The documents also cite a continuing Internal Revenue Service investigation of \$10 million in unreported income from narcotics transactions. The case involves the use of foreign bank accounts, corporations and trusts in the Antilles and three other countries "to conceal, unreported income and hold U.S. assets."

The committee involved in the investigation, the commerce, consumer and monetary affairs subcommittee of the House Committee on Government Operations, was scheduled to hold hearings Tuesday and Wednesday on the use of the Netherlands Antilles to avoid U.S. taxes, the status of efforts by the Treasury Department to renegotiate the Netherlands Antilles tax treaty, and the extent to which the Antilles Antilles cooperates with U.S. law enforcement efforts.

The subcommittee's chairman, Representative Doug Barnard Jr., a Georgia Democrat, said he was concerned by the fact that "hundreds of millions and perhaps billions of dollars in tax revenues are being lost each year" while the tax treaty negotiations drag on. They have lasted for more than two years, Mr. Barnard says, he hopes to press Treasury officials, who are scheduled to testify at the hearings, into quickly negotiating a tougher treaty.

The current treaty allows U.S.

Poll Shows U.S. Public Against Salvador Role

Los Angeles Times Service

LOS ANGELES — By a wide margin, the American public opposes U.S. involvement in El Salvador, saying that efforts to prevent an overthrow of the Salvadoran government by leftist rebels are not morally justified, are not vital to U.S. national defense and will not end in victory, according to a Los Angeles Times poll.

The poll also reveals that a majority of Americans are against the use of U.S. troops there even if the Salvadoran government was about to fall to the guerrillas.

Moreover, nearly two-thirds of those polled say they believe that the CIA should not back an invasion of Nicaragua to overthrow the leftist Sandinista government, despite administration claims that the Sandinists have carried out a military buildup and threaten the security of the region.

The poll surveyed 1,233 persons 18 years of age and older by telephone for five days between April 4 and 10.

Asked whether U.S. involvement in El Salvador was morally justified, 49 percent said it is not while 26 percent said it was. Forty-five percent said U.S. involvement was not vital to the country's national defense against 33 percent who believed the opposite. Forty percent of the respondents said U.S. efforts to bolster the Salvadoran government would not end in victory.

Sentiment also ran high against any CIA-backed invasion of Nicaragua to overthrow the government. By a 6-to-1 margin, respondents opposed covert U.S. intelligence operations there, with 62 percent saying the CIA should not be used and 10 percent saying it should be. One-quarter of the respondents said they were uncertain.

Insurgents Said to Get U.S. Help

Aid to Anti-Sandinists Illegal, Lawmakers Say

By Stephen Kinzer
New York Times Service

MANAGUA — Two U.S. congressmen have said after a four-day trip to Nicaragua and Honduras that they were convinced that the Reagan administration is actively supporting anti-Sandinist insurgents in violation of federal law.

The congressmen said Monday that their conclusions were based on conversations with Honduran soldiers, government officials in Nicaragua and Honduras and people in touch with the "contras," as the insurgents are known.

"We visited refugee camps in Honduras where mothers of contras spoke with pride about the training their sons had received from Americans and the weapons they had been given by Americans," said Representative Robert G. Torricelli, Democrat of New Jersey.

Representative Berkley Bedell, Democrat of Iowa, said: "There is certainly no question we are supporting the contras. We spoke to people who had been held prisoner by the contras and with other people familiar with their operations and there was a clear pattern in their comments that leads inevitably to that conclusion."

Both men said they considered the administration to be in violation of the law approved by Congress in December that forbids the government from financing groups fighting to overthrow the Sandinista government of Nicaragua. They said they would press for hearings on the matter after their return Monday night to Washington.

The two were members of a delegation organized by the Private Commission on United States-Central American Relations. The director of the commission, Gino Lofredo, said the 10-member delegation "has been exposed to enough evidence to conclude that allegations of American support for counter-revolutionary groups operating from Honduras are accurate."

Poll Watchers, Police Deployed As Tense Chicago Begins to Vote

By Larry Green and William C. Rempel
Los Angeles Times Service

CHICAGO — Weeks of raucous and raucous political campaigning ended Tuesday as Chicago voters began casting ballots in a mayoral election that will give this city either its first black or first Jewish mayor.

The election may end more than 50 years of Democratic dominance. The election has been marked by bitter racial attacks on Harold Washington, a black Democratic congressman, and by the mass support of the Democratic Party machine for Bernard E. Epton, a Republican lawyer and millionaire.

The campaign has left the second most populous city in the United States polarized and tense.

Published and broadcast polls and aides to the candidates suggest that the outcome will be close. A slim margin resulting in a recount could delay the results for days.

[Voters turned out in record numbers in the first three hours of balloting Tuesday, UPI reported. Chicago Board of Election officials projected a turnout of 83 percent, a record for a municipal election.]

[The board said that if the projection held up, about 1.4 million of the city's 1,625,768 registered voters would vote. Officials said that would rival the turnout for presidential elections, when it has run as high as 91 percent. No results were immediately available.]

Chicago police were working 12-hour shifts, extra police were assigned to voting precincts and a double contingent of tactical police trained to handle disturbances was to patrol before and after the polls closed Tuesday evening.

For the second consecutive election, the federal Department of Justice will have an army of U.S. attorneys, marshals, FBI and immigration and naturalization agents guarding against vote fraud.

For most voters, this is the first mayoral election in memory where the outcome is uncertain. Since 1931, winning the Democratic mayoral primary has meant being elected mayor.

The once-powerful Democratic machine is divided this year because, in a city with a long history of segregation and racial tensions, its candidate is black. By exploiting those divisions, Mr. Epton could become the city's first Republican mayor since William Thompson won a narrow victory in 1977.

Solidly white ethnic communities were expected to vote for Mr. Epton despite their historical allegiance to the Democratic party.

Trudeau Visit to U.S. Is Scheduled Before the Williamsburg Meeting

Washington Post Service

WASHINGTON — An unusually intensive flurry of discussions between the United States and Canada has ended with the announcement that Prime Minister Pierre Elliott Trudeau will visit here April 28 to continue the consultations.

According to Foreign Minister Allan MacEachen of Canada, Mr. Trudeau's visit will concentrate on preparations for the seven-nation economic summit conference scheduled May 27-28 in Williamsburg, Virginia.

Mr. Trudeau's visit is one of a series that will bring Chancellor Helmut Kohl of West Germany here late this week and is likely to include special one-day visits before the summit conference by Prime Minister Yasuhiro Nakasone of Japan and Prime Minister Margaret Thatcher of Britain, according to State Department sources.

In the discussions with Canada, Mr. MacEachen met with Secretary of State George P. Shultz on Sunday night and Monday and also met with Vice President George Bush. Among subjects discussed, Mr. MacEachen said, were acid rain, toxic wastes, bilateral trade issues and various global and regional problems.

Mr. MacEachen quoted Mr. Shultz as saying that the United States intends to ask permission to test cruise missiles in Canada.

S. Korean to Visit U.S.

United Press International

SEOUL — South Korea's foreign minister, Lee Bum Suk, will visit the United States at the invitation of Secretary of State George P. Shultz, the Foreign Ministry said Tuesday. He will arrive in Washington April 27 and meet with Mr. Shultz on April 29.

Jewish Group in U.S. Backs Nuclear Freeze

United Press International

DALLAS — The Rabbinical Assembly, a group representing 1.5 million Jews in the United States, has approved a nuclear freeze resolution and called the spread of nuclear arms "the greatest moral crisis in history."

The resolution was approved overwhelmingly by the 1,200 Conservative rabbis. The keynote speaker Monday at the 83d Annual Rabbinical Assembly Convention in Dallas, Rabbi Robert Gordis, said Reagan administration officials were "attempting to spoon-feed the American people the nonsense that a nuclear war is thinkable and winnable." He urged that Jews work toward the "moral regeneration of mankind."

Dutch Pilot Dies in Crash

Reuters

LONDON — A Dutch Air Force pilot was killed Tuesday when his Starfighter jet crashed during NATO exercises over northeastern England, the Defense Ministry said.

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A Tragic Failure

President Reagan's failure to bring Jordan to negotiations with Israel is no disgrace. But it is a failure that needs to be properly understood. King Hussein rejected coexistence not with Israel but with the PLO. After dutifully showing interest in the idea that he provide shelter for a Palestinian enclave in the West Bank, the king proved Yasser Arafat incapable of compromise. That left him free, finally and probably with some relief, to tell Palestine's "liberators" to go find for themselves.

Saudi Arabia was not even doubtful. Despite importunings and arms shipments from Washington, the Saudis showed that they, too, fear Arab radicals more than Israel. The Saudis remain unable or unwilling to use their wealth to support Palestinians who favor coexistence.

And Israel feels vindicated for its resistance to a West Bank deal. Although it predicted failure for Mr. Reagan's plan from the start, Prime Minister Begin's government did what it could to discourage Arab interest. Despite the defeat of the PLO's military forces, Israel's policies continue to work against any recognition of Palestinian nationalism.

The Reagan blueprint, therefore, failed not in its central design but in its assumptions about the political terrain. It offered the West Bank Palestinians less than their own state but more than perpetual Israeli domination. It offered Israel less than annexation of the West Bank but firm security arrangements and relief from absorbing a million Arabs. But what incentives could the president offer Saudi Ara-

bia to make it risk the hostility of Arab extremists? AWACS planes were obviously not enough. If the Saudi princes reckon that their survival depends more on appeasing pan-Arab sentiment than on peace with Israel, they can only be bit players in any diplomatic script.

And why then should King Hussein follow Anwar Sadat into isolation and even martyrdom? Cohabitation with Israel in the West Bank promises only headaches. He may have felt a duty to the Palestinians under Israeli sway, and he is probably right to believe that time is fading for regaining even part of the West Bank. But if Mr. Arafat wants an independent Palestinian state or nothing, then nothing it will be.

The Israelis, who were the first to reject Mr. Reagan's plan, probably had least to fear from it. Yet by their shortsighted definition of security, possession of the West Bank and Gaza territories is more important than the inevitable oppression or dispersal of their Arab populations. The inability of the United States to bring Jordan to the peace table will only strengthen the annexationists' resolve.

Allied to Israel and beholden to the moderate Arab states, the United States need feel no shame for yearning to be their mediator. Precisely for those reasons, however, it lacks the power to punish them for pursuing other priorities. Their insecurities obviously run deeper than those that any peace treaty could address. The Palestinian tragedy continues.

—THE NEW YORK TIMES

The Bridge Survives

The decision to grant political asylum to Hu Na, the Chinese tennis player, is not illegal, immoral or an attempt to interfere in China's internal affairs. It underlines instead an inescapable difficulty in any program of exchanges between a closed and an open society.

Significantly, for all its clamor, Beijing has been selective in its response. "Star Wars" will not be seen in China this year, and the Jialid Quartet will not be heard; a Chinese volleyball team will not make an American tour, nor will Chinese riders compete in a hike race. But Beijing is not calling back 10,000 students, or expelling American students. Surely this is the news that counts. It suggests that China is not burning the most important bridge to America, realizing that two-way human traffic

in knowledge has overriding benefits. And for America, too, the benefits justify a good-faith effort to keep the bridge open.

Bureaucratic bumbling may have needlessly magnified the Hu Na case as officials fretted about precedents and damage to the already frayed ties with Beijing, but that is beside the point. Sooner or later someone like Miss Hu was bound to seek refuge, and the United States was bound to grant it. Now that it has happened, the United States ought to make clear to China that it neither welcomes nor invites defections in exchange programs, and indeed has no motive for disrupting the programs. But China could not expect the United States to play false to its own laws and values.

—THE NEW YORK TIMES

Strain in São Paulo

Riots in São Paulo are an early response to the financial pressures on Brazil. Rising loan payments translate into lower standards of living at a point when, after almost 20 years of military rule, Brazil is trying to find its way back to democracy. An elected governor was installed in São Paulo several weeks ago, and the recent trouble started with a demonstration at his palace protesting unemployment.

Brazil is in the third year of recession, and its austerity program was sharply tightened as it negotiated for new loans. The government devalued the currency by 30 percent in February, and the International Monetary Fund imposed stiff conditions on a crucial loan six weeks ago. The riots are not necessarily a sign that the IMF was wrong, but certainly a reminder that everybody, including the international lenders, must go cautiously. Austerity programs cannot be tightened endlessly.

In Washington the House Banking Committee is working on legislation to expand the IMF's lending resources. Without that expansion, credit terms for the borrowers will get a great deal worse. But if the bill is passed Congress is certain to attach new restrictions on commercial banks' foreign lending. The federal bank regulators have now made a series of sensible proposals, including a requirement

that banks disclose publicly their total foreign lending by country. After last year's debt crisis it became clear that no one, including the banks, fully realized how much had been lent and how fast the totals had been run up, especially in the past two years.

But the Banking Committee might keep in mind that there is another side to the story. Brazil was one of the most careful of foreign borrowers, and used its loans well over the years to support rapid and substantial growth. Because of that growth Brazilians live longer, among other things, and the infant mortality rate is falling. The repayments got out of hand only when a worldwide recession coincided with soaring interest rates that no one in Brazil or anywhere else fully foresaw.

As the debts of countries like Brazil are renegotiated, one urgent question is whether some of their high-interest, short-term debt cannot be turned into low-interest, long-term debt. If most of Brazil's foreign earnings are pre-empted by high interest payments, the country will have little to spend for imports—goods bought from, say, the United States. Moderating the interest burden on the Latin borrowers is an important element in the recovery of the U.S. economy.

—THE WASHINGTON POST

Other Opinion

Nicaragua and the Alliance

It is tempting to subject the White House to either indignation or scorn for its handling of Central America. The first will be indulged in by those who believe Latin American revolutionaries to be democratic reformers. The second will come from the anti-American right, confident that they would have handled it much better, conveniently forgetting counter-terms nearer at home like Ulster and Algeria.

Both groups ignore the real danger a communist victory in Central America would pose to the Western alliance. Having previously denied involvement in the Salvadoran insurrection, Nicaraguan leaders now boast of it. If they succeed, the Soviets will be in a position to install submarine, naval and rocket bases in

the Gulf of Mexico and on the Pacific coast. This would entail major changes in the deployment of U.S. forces. Anyone who sees role for the alliance cannot be neutral, even when the battlefield is far away and some of our new allies no better morally than those we were glad to acquire during World War II.

—The Daily Telegraph (London)

Mitterrand After de Gaulle

The most notable feature of today's French government is that President Mitterrand, although elected by the left, is handling the reins of presidential power just as adroitly as his predecessors. His criticism of de Gaulle's "monarchical" style has been forgotten.

—New Zürcher Zeitung (Zurich)

FROM OUR APRIL 13 PAGES, 75 AND 50 YEARS AGO

1908: Death Penalty Preferred

WASHINGTON — The movement to abolish the death penalty for murder, started in London, finds no echo in the United States, very general disapproval being expressed among the leaders in Congress. The Justices of the Supreme Court were not very much interested. Justice Harlan said he had never given the matter very serious thought. Justice Brewer declined to discuss the movement, fearing criticism as he might be called upon to hear such cases. Nowhere is there decided sentiment for a change. Members of Congress say the public would never consent to change the penalty to imprisonment, but would rather extend the penalty to cover assaults. It is not believed the movement will meet with success.

1933: Russia Tries Six Britons

MOSCOW — The espionage and sabotage trial of six Britons before the Soviet Supreme Court began with a sensation when William MacDonald pleaded guilty to all the charges preferred against him in the indictment. These charges are based on a considerable part of MacDonald's confessions, during the OGPU inquiry, to having obtained military and economic information for British interests. Through his confessions MacDonald implicated all five of his co-defendants. In view of their stand from the outset that the six British subjects should be released unconditionally on the ground that the charges were fantastic, the British government is placed in an exceedingly embarrassing position.

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We Still 'Don't Know How to Behave'

By James Reston

WASHINGTON — The news has been dominated in recent days by angry people — vicious racial charges in the election for mayor in Chicago, demonstrations against the president of the United States in Pittsburgh, hostile and even personal strife between Moscow and Washington, ironically in the name of "peace."

It is not new, of course, but in the middle of another alarming round in the nuclear arms race, a developing trade war and more than 33 million people unemployed in the industrial nations alone — not to mention the hungry people in the rest of the world — it is a dangerous situation that the political leaders of the Western democracies will have to face when they meet next month in Williamsburg, Virginia.

It seems that everybody is blaming somebody else for problems that all have in common and don't know how to debate, let alone relieve. The politicians are bawling out and each other with propaganda that this ideology or the other — conservative, socialist, communist, supply-side, welfare-state — will be the answer to our anxieties.

But the one clear fact is that computers, industrial robots, multinational corporations, international communications and new centers of financial power are transforming the world so fast that none of the political ideologies has been able to keep up with this torrent of new machines and ideas.

President Mitterrand in France can kick out the Russians suspected of spying on his industrial and military secrets, but his socialist philo-

sophy has been unable to provide enough jobs or defend the franc. Likewise, President Reagan in Washington, Prime Minister Thatcher in Westminster and Chancellor Kohl in Bonn have been forced to bend their ideologies to the whirlwind of industrial strife and unemployment.

And the Soviet leaders, the original economic determinists, who wanted to be judged by the welfare of their people, have proved on this score to be the most spectacular failures of all — and have failed all the more because they have been slower to adjust their ideology to the scientific and economic realities of the modern world.

What is troubling is that none of today's political leaders are speaking out with any eloquence about the coming age. Instead they concentrate mainly on the present day or the next election.

President Reagan is a good example. He is a decent and amiable man, crying for a world that is gone. It is not quite fair to mock him, as the demonstrators did in Pittsburgh with their "Dump Reagan" signs. He has done service to the country by challenging the welfare state assumptions of the Democrats. But this has to be put in the past tense, where he lives. He says little about the computerized world of the future, or how to rescue the old smokestack workers in Pittsburgh, Youngstown or Detroit, or educate the rising generation for the new skills they will need.

Nor do we hear much about this

challenge from the Democratic candidates who are seeking Mr. Reagan's job. They touch on it now and then, but mainly they concentrate on the president's failures, as if he were to blame for everything.

Unless I miss my guess, the American people are sick of all this contention between the parties, the regions, the races, the unions and the managers, and would listen to any candidate who concentrated on unity and peace, the education of America's children and the defense of civilization with something more than "smart bombs" and laser beams in outer space.

The main question is not whether Mr. Reagan will run but whether he will think about the future. The issue before the country and the alliance is much wider and deeper than

anything that has been discussed in the politics of the United States or the allied nations so far, and it is new only to a degree.

Walter Lippmann defined it almost 60 years ago in a prophetic book called "Drift and Mastery." "We are unsettled," he wrote, "to the very roots of our being. There isn't a human relation, whether of parent to child, husband and wife, worker and employer, that doesn't move in a strange situation."

"We are not used to a complicated civilization; we don't know how to behave when personal conduct and eternal authority have disappeared. There are no precedents to guide us, no wisdom that wasn't made for a simpler age. We have changed our environment more quickly than we know how to change ourselves."

The New York Times



"Daddy has to support a habit."

Overstating Dangers Is a Pentagon Habit

By Harold Willens

LOS ANGELES — When Ronald Reagan released his 1984 budget proposal, Defense Week, an industry insider pointed out its sardonic tone, headlined its lead budget story, "The Threat Is Our Shepherd." Given an unprecedented Pentagon budget request of \$274 billion, Defense Week saw no need to remind defense contractors that "we shall not want."

The military establishment knows full well that the threat is indeed its shepherd. If Mr. Reagan can't frighten the American public into sharing his exaggerated vision of an omnipotent Soviet behemoth, he surely will fail to get Congress to accept a peacetime buildup unmatched in American history.

Thus, administration "threats" are working overtime. The commander in chief himself stepped up the campaign with a fervent speech before the National Association of Evangelicals when he in effect called for a holy war against the Soviet Union. The forces of "totalitarian darkness," he warned, are dedicated to the "eventual domination of all peoples of the Earth — they are the focus of evil in the modern world."

On a more secular plane, the Defense Intelligence Agency weighed in the next morning with an updated version of "Soviet Military Power," a slickly produced threat tract that paints the blackest conceivable picture of a Soviet war machine dedicated to enforcing "the step-by-step extension of Soviet influence and control by using fear and promoting paralysis." A commensurate military response by the

United States, Defense Secretary Caspar Weinberger pledges in the introduction, is "our most solemn responsibility to posterity."

The most solemn responsibility is to weigh judiciously the claims that are now being made. And history indicates that they may not stand up to close scrutiny.

In the mid-1950s the official U.S. National Intelligence Estimate projected a 500-strong Soviet strategic bomber fleet by 1960. American bomber production was rapidly accelerated, with the result that, by the turn of the decade, America had 1,848 bombers, compared with what turned out to be a mere 160 to 190 Soviet planes.

That same year President John Kennedy campaigned on a "missile gap" platform, based on a 1957 official estimate that had the Soviets armed with 2,000 ICBMs by 1964, while the United States could muster only a pitiful 130. At prodigious cost the United States was able to field 834 ICBMs by 1964, while the Soviets were left behind in the dust with fewer than 200.

Soon after his inauguration Mr. Kennedy was apprised that the missile gap was no more real than the preceding bomber gap. But, since there was no public reappraisal, the American ICBM buildup proceeded apace. By falling, eyes open, into that "honesty gap," Mr. Kennedy set a dangerous precedent that the current administration seems to be following rigorously.

During the week preceding the release of "Soviet Military Power," a succession of leaks, government reports and inadvertent candor on

the part of the Pentagon showed that the mythical Soviet military monster has feet of clay.

The "window of vulnerability" myth was further debunked when an anonymous Defense Department source revealed to Reuters on Feb. 28 that Soviet "accuracy isn't even within the ball park of being able to launch a first strike."

The next day the CIA admitted that its official estimates had overstated the growth rate of Soviet defense spending in the last six years by as much as 100 percent.

Then on March 2 Richard DeLaur, undersecretary of defense for research and engineering, grudgingly admitted to a congressional panel that the United States had a 15-to-1 margin of superiority over the Soviet Union in significant military technologies. A few days later a high Pentagon official told reporters that "strategically we are better."

The next morning, after he had been pulled back into line, he hastily issued a press release explaining that he had meant to say that the United States had an edge only "in the larger sense — society compared to society."

As for "Soviet Military Power," its ominous case relies mainly on weapons that are in the early stages of development and that represent predictable responses to U.S. military programs in progress. This latest piece of Pentagonmanship may, in fact, be a strong argument for a bilateral nuclear freeze. If the Soviets really are on the threshold of such a terrifying military capability, let us secure a freeze now.

The Soviet system is morally repugnant, its international conduct usually politically repellent, its military capability far from inconsequential. But all that the Reagan administration accomplishes when it inflates the Soviet threat is to accelerate the action-reaction cycle that has fueled a winless arms race for more than three decades, and to further justify the excesses of Kremlin hard-liners.

The writer, a businessman and a senior adviser of the Washington-based Center for Defense Information, served as the state chairman of the 1982 California Nuclear Freeze Campaign. He contributed this comment to the Los Angeles Times.

A Japanese Way: Intelligence in the Workshop

By Hobart Rowen

TOKYO — The Nippon Telegraph & Telephone Public Corporation is the Japanese government telecommunications monopoly. At \$17 billion in annual sales and \$40 billion in assets, it is a leader among Japanese conglomerates. For years, American and European communications and electronics manufacturers have been trying to break open NTT's tightly locked door to foreign high-quality imports. For the first time, the Japanese bureaucracy, which regards internal telecommunications as the equivalent of national defense, is yielding a bit.

A key change has been brought about by the arrival two years ago of Hisashi Shinto, the first NTT president to come from the private sector. Mr. Shinto, 75, an engineer and shipbuilding expert, was president of Ishikawajima-Harima Heavy Industries from 1972 to 1979, when Japanese shipbuilding was at its peak. He knows the United States well, and has some interesting ideas on why

some American industries have fallen behind in the race with Japan.

"In 1950 to about 1963, when I was working in the shipyards," Mr. Shinto says, "the United States had higher productivity, even though your wages then were five times higher than they were in Japan. Your side was extremely competitive in turbines and main engines. To discover the American secret, Mr. Shinto visited American shipyards and factories. "Your young engineers who graduated from the university were working in the workshops, along with the workers," he recalls. "The engineers knew the production process, and they knew how to use machine tools. Because they knew the production process in detail, they were able to get greater productivity and high quality."

It is that simple, said Mr. Shinto. "High intelligence is the only source of competitiveness."

So by 1956 Mr. Shinto installed this American practice in his Japanese shipyards, and other Japanese manufacturers did the same. Once an engineer came out of the university with his degree, he was put to work initially on the shop floor.

At the same time something was changing in the United States, and Mr. Shinto does not quite know why. The fact is that after graduation most American engineers now "go into computerization, not into the workshop." When he visited the United States in 1980, he says, "I didn't find the same kind of intelligence in the workshop. My impression is that a young engineer in the United States attaches himself to a computer keyboard, not to the robot in the shop."

There is a growing view that the American industrial decline coincided with the drive in the mid-1960s for mergers, acquisition and immediate financial gains. Bright youngsters

turned away from engineering to law schools and business schools.

Japanese schools now turn out 15,000 to 20,000 electronics engineers a year, more than the U.S. total, even though the American population is twice that of Japan.

Mr. Shinto's advice to American chief executive officers is to take young engineers and increase their salaries by 50 to 100 percent as an inducement to move onto the workshop floors. "Your people are so intelligent that if you do this, within three to four years your productivity and quality will go up. The United States has a high potential in most areas, and can recover."

What will Japan do if the United States does start churning out engineers and regains its old skills and productivity? Mr. Shinto's reply: "We would just have to work harder, that's all. We can never argue against better productivity on your side. All we could do is work harder."

The Washington Post

LETTERS TO THE EDITOR

Carter Did Try

Regarding "About the Sovietophobia Threat and Its Cure" (IHT, March 26) by Stephen F. Cohen:

Prof. Cohen produces a rather incomplete version of relations between the United States and the Soviet Union in the 1970s. It was by the early 1970s — when the SALT-I agreement was signed — that the Soviet Union had achieved "strategic parity" with the United States; later in the decade the Soviet Union was no longer seeking parity but that "permanent change in the correlation of forces" that is just as incompatible with world peace as Mr. Reagan's desire to "negotiate from strength."

Prof. Cohen says that the invasion of Afghanistan "came well after détente was already in the deep political crisis that was equally of American making." No, the crisis was not "equally of American making." Jimmy Carter, who had been elected on

a strong disarmament platform, tried in the first few months of his presidency to persuade Moscow to engage in real disarmament negotiations on "deep cuts" — even to 50 percent — in strategic weapons. The political crisis in which détente found itself from 1977 on was due entirely to the Soviet government's dismissal of those proposals as "insulting."

The fact that Soviet authorities wish to forget that Mr. Carter made those proposals and that they rebuffed them is understandable, given their determination to see only war-mongering in the United States. But why do Americans want to forget it too? Is it because the arms control community gave Mr. Carter so little support at the time? If so, yet more shame on them.

ELIZABETH YOUNG, London.

Prof. Cohen professes to believe that the Carter administration regarded the Soviet invasion of Af-

ghanistan as having been based on an imminent Russian need for Gulf oil, when in fact the invasion was intended in part as a preliminary to a Soviet denial of Gulf oil to the West.

JOHN COLVIN, Hong Kong.

Hemingway Was Right

A recent article ("The FBI's File on Hemingway," IHT, March 16) told of decades of FBI surveillance of Ernest Hemingway. Among the symptoms of mental illness for which the writer was treated in his last years was the "delusion" of being followed, tapped and otherwise pursued by the FBI.

The treatment, which included electric shock and heavy medication, led to physical weakening and further mental decline. Hemingway himself at moments considered his "obsession" to be evidence of a mind at the end of its tether, no longer fit to live. (These facts are available in

the Baker biography and the Hemingway memoir.) We cannot know if or how much the persecution contributed to Hemingway's suicide.

BARRIE SIMMONS, Rome.

La Concertation?

Regarding "Cheysson Calls on U.S. to Do More to End Worldwide Recession" (IHT, March 23):

It is interesting to note that after years of stubbornly independent French policies on everything from defense to trade and monetary policy, the Gaullist tradition is beginning to fade as the realizations of international interdependence hit home.

First Finance Minister Jacques Delors works out a compromise on the EMS realignment, claiming that France and West Germany must have complementary policies. Then Foreign Minister Claude Cheysson admits that independent French at-

PLO Inc. Will Have A Belfast

By Joseph Kraft

WASHINGTON — "PLO Inc." is a description of the Palestine Liberation Organization I heard repeatedly on a recent tour of the Middle East. The term illustrates why the recent talks between King Hussein of Jordan and Yasser Arafat, the PLO leader, did not succeed, and why the Reagan peace plan for the Middle East is fading out.

It suggests that there is shaping up a kind of Belfast in the Middle East. The peace plan offered on Sept. 1 by President Reagan addressed itself directly to the problem of the Palestinian Arabs. While the Palestinians are scattered around the world, their homeland lies in two bits of territory occupied by the Israelis after the Six-Day War — the Gaza Strip and the West Bank of the Jordan. President Reagan proposed that Jordan join Egypt and Israel in negotiations for Palestinian autonomy in those two pieces of land as provided in the Camp David accords.

He indicated that the autonomy talks would be swift and that the Palestinian entity which resulted could achieve larger autonomy in a federation with Jordan. The Palestinians would thus acquire a territorial base. The Israelis, by cutting a deal with King Hussein, would at least avoid the nightmare of a mini-Palestinian state, radical to the core and dedicated to the recovery of the territory that now constitutes Israel.

King Hussein was originally optimistic that he could make the Reagan plan work. His view was that most of the Palestinians living in the West Bank and Gaza wanted any kind of accord that would get the Israelis off their backs. The king believed that he and groups of local Palestinians, notables with some loose ties to the PLO, could come to the negotiating table. He calculated, correctly in my opinion, that with negotiations under way, Israel would have to join.

The king believed Mr. Arafat would have to go along. The theory was that Mr. Arafat headed a revolutionary nationalist movement dedicated to achieving territorial gains. In 20 years he had advanced little toward that goal. Military defeat in Lebanon had rooted the PLO out of an area near the West Bank. Unless Mr. Arafat joined with King Hussein, the PLO, cut off from the homeland of most Palestinians, would wither away.

The description of the PLO as a company makes a change in that view. For the corporate PLO is not a revolutionary movement dedicated to political achievements. On the contrary, it is a bureaucracy dedicated to its own survival. Far from being willing to take risks for political goals, Mr. Arafat and Co. in this view, prefer to wander from country to country and from summit meeting to summit meeting, selling the cause of Palestine to Arab rulers who need legitimization. In return Mr. Arafat gives them the PLO good-housekeeping seal of fidelity to Arab nationalism.

Evidence to support that view has accumulated since the PLO left Beirut. When the Palestine National Council met in Algiers in February the main business was internal — an assertion of PLO "unity and independence." Only as an afterthought did the delegates turn to the Reagan plan, and it was unclear whether they "rejected" the plan or merely found it "inadequate."

Since then Mr. Arafat has continued to travel from meeting to meeting. He went to the nonaligned summit in New Delhi. He has made the rounds of virtually all the Arab countries. All have given him their blessings and told him to work out a joint approach with King Hussein.

But at meetings with King Hussein in Amman Mr. Arafat ducked anew. Instead of getting together on a plan to name Palestinian delegates who could join the king in talks with the Israelis, Mr. Arafat arranged to refer the whole affair to another round of meetings, culminating in a summit of Arab leaders in Morocco.

Perhaps the leaders will find some formula for negotiation. Perhaps the United States will squeeze the Israelis to the point where King Hussein feels he can go it without Mr. Arafat. But the odds are strongly against that. It looks as if yet another direct address to the problem of the Palestinians has gone awry.

So now there will be a long, dismal continuation of the daily encounters between Israeli forces and Palestinian young people on the West Bank and in Gaza. There will be protests and strikes and terrorism and suppression. The West Bank and Gaza, probably for years to come, will become like Belfast.

Los Angeles Times Syndicate

A French Demerol

Regarding "Assessing a German Era's Far-Reaching Legacy" (IHT, April 6) by David Schoenbaum:

As an officer who fought for many years in Vietnam and in Algeria, and who thinks that those "war" mistakes, I am sure that Mr. Schoenbaum is totally wrong when he links the attitude of French generals and politicians to the "humiliations of defeat and occupation."

JACQUES SUANT, Montmorency, France.

PLO Inc. Will Have A Ball

ARTS / LEISURE

A Guide to Egon Ronay

By Erica Brown
New York Times Service

LONDON — "I honestly didn't know what I was letting myself in for," said Egon Ronay, a few days after the publication of his 1983 guide. This was the 25th anniversary of what has become an annual bible for travelers in Britain who want to find good hotels and good food in a country where it is still not easy to find either.

Ronay has seen the guide grow from a slender volume of 96 pages evaluating 175 restaurants in London to the present book, *Egon Ronay's London Guide*, containing more than 800 pages of information on about 3,000 establishments throughout the British Isles.

"It's difficult to believe I have spent a quarter of a century with this particular guide," Ronay said, but he has become one of the best-known names, if not faces, in Britain. Many have credited him with having done as much as anyone to improve food standards in a country not known for taking gastronomy seriously.

Now in his mid-60s, the trim Ronay looks younger. Over the years, he has lost none of his enthusiasm for good food or for criticizing those who do not provide it. He has raised against the "incredible" food on airplanes and ferries, in highway cafes, hospitals and, this year, theaters. But his greatest influence has been felt in ordinary restaurants.

Not everyone thinks the publication is completely fair, but perhaps understandably, restaurant owners are reluctant to criticize Ronay and his inspectors. But Paul Levy, the American-born food editor of *The Observer*, is not. "I think they play safe and are very slow to pick up on new places, especially in London," said Levy. "And the inspectors are not food experts."

But when the Ronay guide does

criticize, it pulls very few punches. On airline food: "We get antiseptic anti-chicken, overcooked steaks, gummy casseroles unscrupulously described in Ritz language."

Those on the receiving end of this sort of criticism usually react in one of two ways. More than a decade after the Ronay guide lambasted expressway service stations, especially those owned by the Trusthouse Forte hotel chain, the company's executives are still apparently upset and refused to comment.

Conversely, this year, when the guide found little good to say about theater buffets, many theater managers conceded the criticisms were fair — up to a point. The three restaurants in the Barbican Center, new home of the London Symphony Orchestra and the Royal Shakespeare Company, were raised either poor or merely acceptable.

Henry Wrong, general administrator of the center, said: "If his inspectors judged us between our opening last March and the end of June, they were quite right. We ended up having only four days to train staff before we opened, and then we were swamped by the volume of customers. We fired the caterers before the guide was published."

In the early days Ronay and a friend were the only inspectors. "Every day we would go to one restaurant for an early lunch," Ronay said. "I would have only one course while my colleague had four. Then we'd dash to another, and I'd have four courses while he had one. We repeated the performance each evening for dinner." His organization now employs more than 40 staff members, including 12 full-time inspectors.

Ronay still personally inspects more than 200 restaurants a year. In addition, he frequently eats out on his own, and when something

displeases him, he will not only write to the owner to say so but will usually include some tips on how to improve things.

Ronay was born and brought up in Budapest, the son of one of that city's leading restaurateurs, and he trained to follow in his father's footsteps. But with the Communist takeover, the family's five restaurants were nationalized, and Ronay left Hungary for England in 1946.

Arriving penniless in postwar London, he first worked in restaurants and then in 1952, on a shoe-string, he opened a small restaurant behind Harrods in Knightsbridge. "I had a friend, who was just as poor as I, paint it to look like the inside of a tent, and that's what I called it: Marquee," Ronay said.

With food rationing finally abolished in Britain in 1952 and a new middle class growing rapidly, new restaurants sprang up. In 1953, *The Daily Telegraph* asked Ronay to write a weekly restaurant column; in 1955, he decided to concentrate on writing and sold his restaurant.

The first guide, published in 1957, grew out of his column and was financed by three pages of advertising from the Ford Motor Co. This kind of sponsorship has always been essential to the guide, especially as it grew. "The costs are astronomical," Ronay said. "If we relied solely on income from sales, we would have to charge a prohibitive price. We always pay our way, visiting hotels and restaurants anonymously, and every one of the more than 3,000 establishments in the guide is checked every year."

The guide does not accept hotel and restaurant advertising. For the last five years, its main sponsor has been Lucas, the electronics company and a maker of automobile and aircraft electrical equipment.

Since 1977, Ronay has published a guide to pub food and accommo-



Egon Ronay

modations, since 1979. "Just a Bite," covering tearooms, cafes and snack and wine bars. In January he published his first guide to European restaurants in 35 major cities, a guide sponsored by Trans World Airlines.

In celebrating the publication of the European guide, Jacques Chirac, the mayor of Paris, presented Ronay with the Médaille de Paris. "I'm particularly pleased with it," Ronay said, "because the motto of Paris is *ensemble* — suitable for Hungarians. It is 'Floumat' — mergin', which means 'It swims but never sinks.'"

Shaky 'Julius Caesar' Opens Stratford Season

By Sheridan Morley
International Herald Tribune

LONDON — Despite the arrival of a strong new playing team for the 1983-84 season, Stratford is off to a shaky start this year with Ron Daniels' production of "Julius Caesar," which seems to have set out with a number intriguing ideas about the play and then decided to pursue none of them.

This is not, quite clearly, meant to be another of your closest-intellectual jobs, the play "rediscovered" by somebody who has an academic theory ideal for a room above a pub and then has to expand it to fill the wide Stratford stage. Instead it's a commendable return to the 1930s pageantry of Anthony Quayle and Glen Byam Shaw, pre-Royal Shakespeare Company. The stage is filled with required wigs, banners and Roman legions, and it's evident that Caesar himself (Joseph O'Connor) would have been entirely happy on a long-term contract at MGM starring in period epics.

This alone is not perhaps sufficient reason for his death at the hands of the conspirators, though he does also start putting lascivious hands around a semi-naked Mark Antony, which suggests murder by Roman opponents of Gey Lib. That notion is, however, also abandoned in favor of scenes undeciphered in the old general's happy home life with a glamorous young Calpurnia (Lesley Duff), so that by the time we get back to the Senate, things are a little confused.

"You Cassius hath a lean and hungry look," says the old gaffer, pointing at the round Emrys James, who could at any moment go off on tour to Falstaff. Meanwhile, Mark Antony (David Schofield) and Brutus (Peter McEnery) seem to have entered a Hollywood charn-school contest to find the best British movie profile of 1946, and a certain dynamism has already drifted out of the drama despite a wonderful stage walkdown by Griffith Jones as the old soothsayer, messily attached to a small child.

Those of us observant enough to have noticed that the largest name on the program is that of neither Caesar nor Shakespeare but Link Electronics will not by now be altogether amazed to find a television set being lowered center stage, on which we are permitted to view the murder of Caesar and the ensuing "Friends, Romans, countrymen" speech by Mark Antony in shaky close-up.

Just why, it is also a train of thought that seems not to have been pursued for long enough is the implication that Antony won the crowd over from Brutus by being better on camera? Or that nothing is now believable until it has been on television, even if it is a 2,000-year problem of anachronism? Or is the screen there just to assist people in the dress circle unwilling to invest 20 pence in binoculars?

Whichever way, it doesn't work, not least because the immobility of the cameras freezes the actors in unlikely postures at precisely the moments they should be most free to express themselves physically as well as verbally. Good though it is to see bravado back by the Avon, it would have been even better to see

it linked to a coherent attitude toward the play.

The long-dart Stratfordshire has now been given rude reawakening with the arrival of Ray Cooney's "Theatre of Laughter." Their first production is a new comedy by Cooney himself called "Rin for Your Wife," in which Richard Brinsley plays a bigamous taxi driver with wits in suburban Wimbledon and Streatham, between whom he racks like some sex-crazed marathon runner.

As a script it is distinctly threadbare, but Cooney has directed it at a breathtaking pace and persuaded Bernard Cribbins to turn on a performance of such complexity that the whole affair does just about the work and may well fill the theater for as long as teachers have parties. My one regret about the farces of this nature have deteriorated, in the 30 years or so since I first used to watch Cooney as a junior member of the Whitehall team under Brian Rix, has to do with the loss of the old eccentric support. Actors like Larry Noble (and indeed Robertson Hare, if you go back as far as the Aldwych) have been replaced by plastic type-casts, and the result is a definite thinning of the laughs.

To the King's Head in Islington from the award-winning success at the last Edinburgh Festival has come "Not About Heroes," Stephen MacDonald's infinitely touching play about the yearlong friendship of Siegfried Sassoon and Wilfred Owen at the end of World War I. What MacDonald has realized is that here, as in "Journey's End," is a story of masculine love under fire, even if the guns are, until Owen's shattering death within a week of the armistice, a long way off.

Most of the play takes place in the Craig-Lockhart War Hospital for Nervous Disorders, to which Sassoon was sent in 1917 for pointing out in verse that the war itself was a nervous disorder of the most futile and murderous kind. But by relying very little on the actual poems of these two men, and instead building up a Fygonian portrait of an older man managing to encourage a younger man in his own trade, MacDonald (with James Telfer, who gives an equally touching performance as Owen) has come up with one those rare evenings-with-the-famous that makes them into people rather than figures in a historical waxworks.

In the most dignified sense this is a play about two men in love, with each other and their work. The fact that the love remains unspoken, even when Oscar Wilde's Robbie Ross arrives on the scene to escort Owen around London, adds to the tension and the curious charm of a two-character evening that brings to life a lot of other people (not least Robert Graves) along its gentle way.

Bold 'Rocking Chair'

By Thomas Quinn Curtiss
International Herald Tribune

PARIS — "Le Fauteuil à Rocker" (The Rocking Chair), by Jean-Claude Brisville, is a new French play with wings to fly over language barriers. Its intriguing situation, its wit, its penetrating study of the trio it places under the same

THE FRENCH STAGE

and magnifying glass will carry it far.

The play made its debut modestly at a series of trial matinees at the Petit Odéon and won unanimous critical recommendation. Since then, it has received three awards for its dramaturgy and has moved for its extended engagement at the Studio des Champs-Élysées.

Its outline is simple, its plot little more than an anecdote. The literary adviser of a respected publishing firm has been dismissed from his post, which has been left vacant. One wet evening he calls an invited at his former employer's home, explaining that he wants to purchase a piece of office furniture: the old rocking chair in which he sat during his long term of service. This, however, is but the opening for general investigations of the firm's future policies. The surprised host makes it clear that he must soon go out, but his guest nonchalantly ignores the hints, requests a drink against the inclement weather and settles down for a heart-to-heart chat.

Though the unnamed caller does most of the talking, the glib, quick-witted publisher, who is about to corrupt the honorable book firm with cheap-jack practices, is obliged to divulge his secrets in wined words. His attachment to a young painter who designs book jackets is mentioned and when this protégé drops by, the vengeful sniper, now on vodka, succeeds in poisoning their relationship. Having accomplished a complete exposure of his quondam boss, the literary adviser departs.

The battle of types is fought with stinging repartee. Henri Virlojeux as the mousy, befuddled bookworm has a star role and extracts from it every possible nuance in a magnificent comic-grotesque performance. Jean-Pierre Michel (who has also directed) serves a perfect foil for his acid conversational attacks, while Laurent Rey as the idealistic artist carries off the brief but important confrontation scene with élan. This single act, running for an hour-and-a-half, provides a sprightly theater evening.

At the Théâtre des Américains in Nanterre, Patrick Chéreau has commenced his directorial duties with a production of a new play by Bernard-Marie Koltès, presenting it in an underground stadium. It bears the title "Combat de nègre et de chiens" and concerns the exploitation of the natives of an African jungle by greedy white profiteers. Michel Piccoli and Philippe Léotard represent the black man's burden and Skilla Bakula exerts an abused slave. This shall prove a piece is recited loudly but not always clearly and to relieve the theatrical static of the text Chéreau brings on swarming ants and spreads a tropical forest mist over his rodeo-like performing space.

While new plays are not plentiful this season, several classics and modern classics are receiving attractive revivals, such as Peter Brook's scintillating "Cherry Orchard," which has returned to the Bouffes du Nord.

After six Vittorio Gassman performances, the black passion play (in English), "Your Arms Too Short to Box With God," resumes April 23 at the Mogador with its original New York company. It is the story of Christ's martyrdom, using spirituals and blues as its musical setting.

Dow Jones Averages

	Open	High	Low	Close	Change
30-Stock	1147.77	1151.80	1149.00	1150.25	+2.48
Industrials	126.25	126.80	126.00	126.50	+0.25
Utilities	125.25	125.50	125.00	125.25	+0.25
Finance	125.25	125.50	125.00	125.25	+0.25

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Tables include the nationwide prices up to the closing on Wall Street.

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Revenue and profits, in millions, are in local currencies

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International Herald Tribune

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WEDNESDAY, APRIL 13, 1983

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FOCUS ON WEST GERMANY

A SPECIAL REPORT — PART II PART I APPEARED YESTERDAY

Investment Abroad: Focusing On Long-Term Opportunities

By Geoffrey Weston

COLOGNE — West Germany's lack of a recent colonial past has caused the pattern of investment overseas to follow markedly different lines from those in countries like Britain and France, which have largely maintained economic links with countries to which they gave independence. Manufacturing industry has been in the vanguard of German foreign ventures, accounting for nearly two-thirds of total foreign investment since records began to be kept in 1952.

The immediate postwar period left Germany politically bankrupt and economically shattered. The only way to revive the country's reputation was seen to be in economic terms.

Against this background, it is hardly surprising that West German business has built up its overseas strength largely in politically safe areas. In 1981 (the latest full year of official statistics) direct investment abroad totaled a record 9,824 billion Deutsche marks, of which 3,403 billion DM (or nearly 35 percent) was lodged in the United States and 2.98 billion DM (30 percent) in Europe. Total postwar investment overseas is estimated at about 90 billion DM.

High wages and the high value of the mark were

major but not overwhelming incentives to manufacture abroad throughout the 1970s. Unlike many North American businessmen, Germans have tended to focus on long-term market prospects, partly because this approach was more warmly received in host countries, and have preferred to swallow losses to keep existing markets open.

Investment has inevitably followed trade, and West German banks have felt obliged to follow suit although they have become acutely aware of the problems of uncorrelated and rash pursuits of growth in foreign markets. Risks and profits are being scrutinized even more closely than before, but the present economic slowdown and comparatively low prices are being looked upon in banking circles as a good time to increase overseas commitments; the United States and Ireland are seen as among the most-favored countries.

The importance of political stability is rated second only to commercial prospects, coupled with ease of repatriating profits. Exchange rates, too, have played an important role, particularly after they were allowed to float in 1973. At a time when West German wage rates were among the four highest in the world, Ger-

(Continued on Following Page)

West German Investment Abroad (DM Millions)

	1979	1980	1981
1. U.S.A.	3692.6	3380.1	3402.8
2. Belgium/Luxembourg	498.9	1028.1	1020.5
3. Brazil	532.9	362.7	731.0
4. France	721.9	453.7	621.6
5. Canada	407.5	421.5	479.0
6. Cayman Islands	2.0	0.7	470.7
7. Switzerland	136.8	542.9	367.0
8. United Kingdom	85.7	171.0	295.0
9. Australia	27.5	174.1	235.1
10. Italy	150.7	212.8	164.4
11. Mexico	33.9	195.8	159.2
12. Japan	30.3	31.0	130.5
13. Austria	188.7	130.4	126.5
14. Egypt	26.5	29.9	119.4
15. Argentina	79.1	131.4	117.5
16. Singapore	26.1	141.7	105.8

Although the U.S. continues to dominate the ranking list, the level of investment has remained fairly stagnant in recent years compared with the rise of Brazil to third place.

Energy: New OPEC Prices Get Cautious Welcome

By Andrew Hargrave

HAMBURG — "Will the new OPEC prices stick? And how will the North Sea producers react? These questions are worrying the multinational oil companies as much as governments and customers, industries as well as private individuals.

In West Germany's case the problem is complicated by the fact that more than 96 percent of its crude is imported and it has, therefore, little control over what is happening to prices.

The major users, such as the chemical industry, have given a cautious welcome to the price drop ("We'll probably have to pass it on to the customer anyway," is the consensus) and so has the Ministry of Economics. It has estimated that a decrease of \$4 per barrel on the price of crude — OPEC has, in fact, recommended a decrease of \$5 — would save the country 7 billion Deutsche marks on the balance of pay-

ments, not counting the overall benefit to the economy in lower energy costs.

Escalating oil prices in 1979-1980 were largely responsible for three years of German balance-of-payments deficits, which only last year turned into a modest surplus of 8 billion DM, and at least partly for economic stagnation. Since West Germany also imports nearly 70 percent of its natural gas, whose prices are normally linked to those of oil, one headache for the federal treasury — and the new government concerned about the lack of economic growth — has certainly eased.

Falling prices have brought no relief, however, to the major oil companies, particularly for Deutsche BP, the German subsidiary of the British multinational.

Unlike Esso or Shell, which are jointly involved with others in (until recently) profitable development of natural gas and limited quantities of oil on the German mainland, Deutsche BP has no such sideline. On the other hand it did

have several under-utilized refineries, some acquired as part of an 800-million-DM deal from Veba, West Germany's largest domestic energy concern, four years ago.

Deutsche BP followed up the 271-million-DM loss suffered in 1981 by an even bigger loss last year. It admitted to a business deficit of 900 million DM and it required a capital injection of 600 million DM from the parent company (which includes a 200-million-DM contribution to raising the equity capital) to keep the final loss to just less than 500 million marks.

Measures to streamline Deutsche BP's operations and stem the mounting losses include a drastic pruning of its refinery facilities, reducing capacity by about two-thirds, from 24 million tons a year to 8 million tons. Sales are being trimmed by one-third and so are the 3,200 service stations

(Continued on Following Page)

4-Party Parliament Alters National Political Forces

By Anna Tomforde

BONN — The general election in March has brought the most thorough realignment of political forces in West Germany in the last 25 years.

The conservative parties, the Christian Democratic Union (CDU) of Chancellor Helmut Kohl and its right-wing Bavarian sister party, the Christian Social Union (CSU), achieved their best result since 1957, when Konrad Adenauer was chancellor, and the country was in the midst of post-war reconstruction.

They took 1.6 million votes away from the Social Democratic Party (SPD) — whose 16 years in government came to an end when Chancellor Helmut Schmidt's coalition collapsed last September — and broke into the traditional working class strongholds of the SPD in industrial areas and predominantly Protestant regions.

The Social Democrats, who registered their worst result since 1961, captured some 70,000 votes from the small Liberal Party of Foreign Minister Hans-Dietrich Genscher, but lost ten times as many to the new anti-nuclear Green Party. The fact that with the Greens there now will be four parties in parliament, and that the percentage gap between the two largest parties — the CDU/CSU and the SPD — has widened to over 10 percent, has been taken by some analysts as a sign that the postwar stability of the West German parliamentary system is beginning to shake.

It is generally accepted that the Social Democrats will have difficulty in adapting to their new role on the opposition benches.

Their defeat, which the right wing has blamed on the drive by Willy Brandt, the party's chairman, to make the SPD more receptive to anti-nuclear campaigners and environmentalists, is likely to revive old ideological rifts among the Social Democrats that were papered over, but not solved, by the departure of Mr. Schmidt.

Although no one in the party holds Hans-Jochen Vogel, the unsuccessful candidate and new opposition leader, personally responsible for the election disaster, his proposals on how the party should be run have met with fierce criticism and attempts at obstruction by the right wing.

Mr. Brandt's strategy of responding to the nuclear and environmental issues raised by the large West German peace movement was strongly opposed by Mr. Schmidt, and is likely to rekindle a debate begun by right-wingers last year on whether the SPD should be running after fringe groups.

On the other hand, analysts fore-

cast growing pressure on the SPD from its own left wing and the Greens to reject outright the deployment of new American medium-range missiles.

The SPD also will need time to recover from its apparent failure to offer alternative solutions to the unemployment problem. Many workers apparently swung to Chancellor Kohl because he ran on the simple slogan: "Vote for the upturn."

The SPD's approach of making no rash promises about economic recovery, and of placing the economic recession into an international context, failed to convince the voter.

It would appear, therefore, that the small Liberal Party of Foreign Minister Hans-Dietrich Genscher is the real winner of the election. The Liberals continue to hold the balance of power, as the party has

done for 26 out of the last 33 years, without ever polling more than 13 percent of the vote, and this time less than 7 percent.

The Liberals scored the second worst result in their history, but nonetheless survived the inner-party battle that threatened to deal them a death blow after Mr. Genscher's switch from the Social Democrats to the conservatives last autumn. Mr. Genscher's gamble paid off, albeit at the price of reducing the Liberal's vote by 4 percent and of leaving behind a party split between left and right.

Chancellor Kohl apparently is glad to have the Liberals on board again, for a conservative majority government would have meant that the influence of Franz-Josef Strauss, the right-wing Bavarian leader, and his Christian Social Union (CSU) would have been greater.

Scientists Strive to Unlock Mysteries of a Beer's Head

By Mark J. Kurlansky

BERLIN — In a laboratory on Seestrasse in a quiet stretch of the Western sector, two scientists are working. One is pouring a beer into a glass. The other is timing it with a stopwatch to see how long the head lasts.

They are trying to understand what Dr. Hans Schmitz-Berndt, director of Berlin's Research and Teaching Center for Brewing (the VLB), calls "one of the remaining mysteries" of beer, "one of the parts of the brewing process where you still work empirically."

The VLB, now celebrating its 100th anniversary, is staffed by scientists. They prefer working scientifically to working empirically and they are not fond of mysteries. Nevertheless a lot of their research rests on knowing how to taste beer. Here it is not enough to know that Germans make good beer. They want to know why.

The VLB, along with a similar institution in Munich, is one of the world's most respected training and research centers for the brewing craft. The professors are salaried by the Berlin University for Technology and the research is financed by the majority of West Germany's 1,400 breweries.

The study of brewing technology has grown in esteem internationally and students come from all over the world to benefit from the acquired knowledge of German brewers. Students, after having apprenticed for three years in a brewery, study for an additional two years at VLB to become brewmasters or for four and a half years to become engineers of brewing technology. Vintners also study at VLB to improve their sparkling wine technology.

Even small German breweries have at least one brewmaster and large ones have one or more engineers.

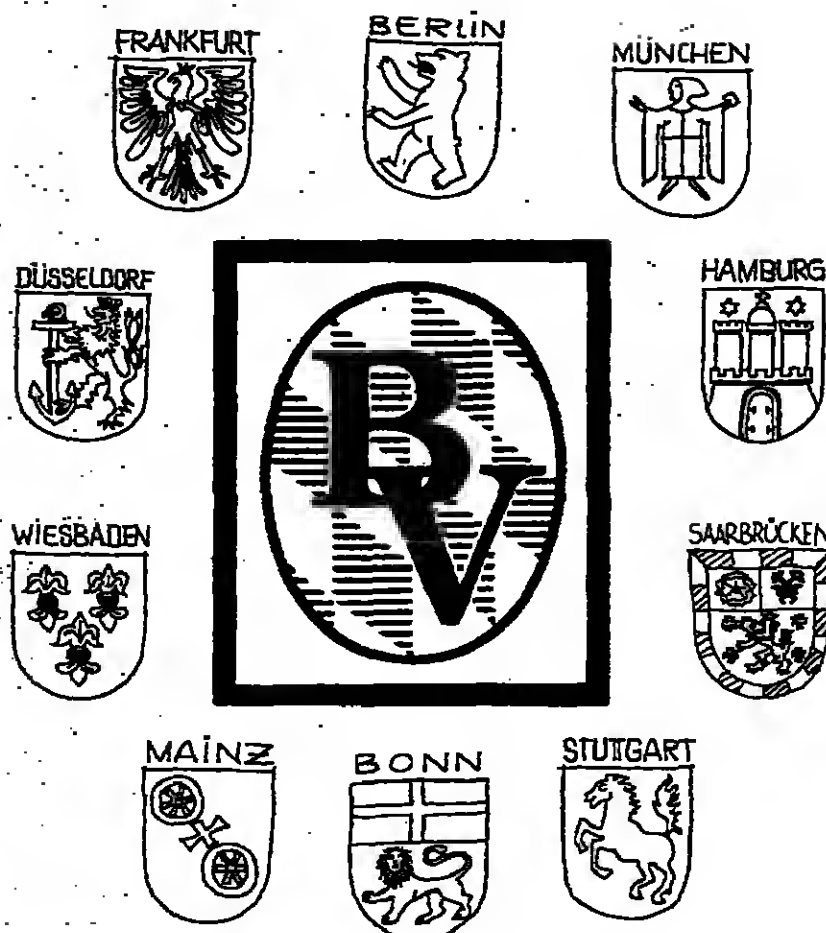
The VLB also does research on every conceivable aspect of brewing. The contents of beer in West Germany are regulated by stringent laws that have been in effect nationally since the turn of the century and in Bavaria since 1516. VLB studies every ingredient and their interactions. Since beer is brewed with pure natural water, one department studies the possible effect of pollution. Another section does research on the high quality, low yield strains of spring barley required for brewing. Another section studies hops and another yeast.

But for all their test tubes and electronic laboratories, one of the VLB's most important functions is tasting beer. German breweries constantly create new beers, not just what Dr. Schmitz-Berndt calls "marketing department creations," but genuinely different varieties. They send these new or experimental beers to

(Continued on Page 12S)

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WEST GERMANY

Electricity: Industry Is Major Consumer

FRANKFURT — Electricity prices in West Germany are among the highest in Western Europe, provoking periodic outbursts of anger by the consumers. Almost half of all electricity generated in West Germany is bought by industry, which explains why power users such as the chemical, steel and aluminum industries are in the forefront of protests against the high charges and consequent burden on costs.

At times such anger goes beyond mere protest. BASF, one of the three leading chemicals corporations in Germany, created a minor sensation toward the end of last year when its negotiations with the French state-owned public utility EDF to supply electricity for a number of power-intensive chemical processes became known. The move was defended by Ronald Schmitz, a member of the management board, on the ground that both profitability and jobs were at risk and that sooner or later some German companies would have to take advantage of the cheaper French electricity prices. BASF, with its main works at Ludwigshafen fairly close to the French border, was an obvious candidate.

Mr. Schmitz accepts that French electricity prices are subsidized, but he argues that there are further valid reasons for the price difference. One, which the power utilities readily admit, is the lopsided structure of electricity generation. Instead of the ideal "mix" of 50-percent baseload capacity based on cheaper fuel sources such as nuclear energy, soft coal and hydroelectricity and 50-percent middle and peak load capacity based on the more expensive hard coal, oil and natural gas, German stations overall have only 35 percent of the former and 65 percent of the latter.

France's better balanced power structure, the utilities argue, is due to its ambitious nuclear building program, which was making rapid headway while Germany's own program had languished for six years until last autumn because of the country's cumbersome legal procedures and vigorous resistance by environmental groups.

Now when, at last, according to Klaus Barthel, chief executive of Kraftwerk Union, Germany's largest power station builder, "work on all sites proceeds in peace, without interruptions," projects totaling 6,000 to 8,000 megawatts are being postponed because of stagnant electricity consumption. This has been attributed to the abnormally mild winter weather and the recession.

Germany's own nuclear program, laid down after the first "oil shock" of 1973-74, aimed at 40 to 45 percent of all electricity coming from nuclear energy by the end of the century. The share of nuclear electricity within the total power supply has been rising in recent years but reached 21 percent only last year. Another reason cited for high electricity prices is what the utilities and most industries regard as excessively severe anti-pollution regulations.

The new regulations now coming into effect are aimed at reducing the sulfur content in the atmosphere — the acid rain — by more than half. This means that desulfurization plants alone will add 160 million Deutsche marks to the cost of a 750-megawatt coal-fired power station. Of the total construction cost of 1 billion DM a station, the environmental element alone will be about 25 percent.

The regulations provide for existing coal-fired stations being equipped the same way, at an extra

cost of 5 billion DM to 6 billion DM over the next 10 years. As for the consumer, VDEW, the public utilities association, estimates it will add about two pfennigs a kilowatt to the cost of electricity while, at the same time, the so-called "coal pfennig" is being reduced from 4.2 percent to 3.5 percent.

On their part, the coal companies say that the regulations aim at the wrong target. They say that only 14 percent of the acid rain is caused by coal-fired power stations, while 51 percent is actually "imported" from neighboring countries with less stringent environmental regulations.

The balance between nuclear power stations and others is expected to improve over the next five to six years: the existing 74,000-megawatt total capacity in Germany will be augmented by nine nuclear power stations totaling 12,000 megawatts, while part of the 6,700-megawatt coal-fired addition to the network will be replaced by older stations. The four 600-megawatt soft-coal-fired units planned by RWE, the country's largest utility, are for replacement only. (RWE, which owns substantial soft-coal deposits through its subsidiary Rheinbraun, generates about 60 percent of its electricity by soft coal. With a further 13 percent generated by nuclear power, RWE has a sound "mix" of baseload and middle and peak loads.)

However, as Günther Klaette, a member of RWE's management board hinted recently, desulfurization for soft-coal-fired power stations may cost proportionately even more than for hard coal-fired stations, thus reducing its cost advantage for both utilities and customers.

Mr. Klaette said that the new

regulations would only bring relatively small improvements in atmospheric pollution while at the same time widen the difference in electricity prices to France's advantage. He added that the present building program would ensure secure supplies until 1990 only if consumption grew at an annual rate of around 2 percent, lower than the average rise over the last decade. However, the gap between increases in electricity consumption and in the gross national product has narrowed considerably since the first oil crisis. Some, including the former Socialist minister of research and technology, Andreas von Bülow, argue that even the present nuclear power station program is too ambitious.

Writing in the news magazine Der Spiegel, Mr. von Bülow estimated that capital costs of nuclear power stations have risen by an annual average of 17 percent since 1969. New technologies and more cost-conscious use of energy by industry and private individuals have further eroded the economic advantages of nuclear power, and so it is doubtful, he said, that electricity consumption would rise at the

Energy: New OPEC Prices Receive Cautious Welcome

(Continued from Preceding Page)

trading under BP and Amal. Personnel, too, is to be cut from its 1982 level of just more than 9,000.

Deutsche BP's "new business concept," announced by Hellmuth Buddenberg, chief executive, toward the end of last year, rests on the proposition that the second "oil shock" in 1979-80 had led to a fundamental reappraisal of the role

of oil over the next 10-15 years. Germany's energy requirements will increasingly tend to be met in the proportions of one-third oil, a further third by coal and the remaining third by natural gas and nuclear energy.

A recent appraisal, before the oil glut, by Esso, the West German subsidiary of Exxon, forecast a continuing downward trend in the use of oil.

Primary Energy Consumption in West Germany 1973-1982 (In Coal Equivalent Millions)

Energy Source	1973	Pct	1981	Pct	1982	%Change 1981-82 Pct
Crude Oil	208.9	55.2	167.5	44.8	160.0	44.2 —4.5
Hard Coal	84.2	22.2	78.3	20.9	77.0	21.2 —1.7
Natural Gas	38.5	8.7	59.3	15.8	55.1	15.2 —7.0
Soft Coal	33.1	10.2	39.8	10.7	38.6	10.6 —3.2
Nuclear Energy	3.9	1.0	17.6	4.7	20.6	5.7 +17.0
Hydroelectric, others	9.9	2.7	11.6	3.1	11.2	3.1 n.a.
Total:	378.5	100	374.1	100	362.5	100 —3.1

Source: Energy Statistics Partnership

Assessment of Future Oil Demand in West Germany (Millions of Tons)

RUE	1979	1982	1985	1990	2000
Gasoline	23.3	22.7	21	19	16
Diesel Fuel	13.4	13.5	15	17	17
Light Fuel Oil	49.9	33.4	33	29	22
Heavy Fuel Oil	22.3	14.0	13	10	7
Row Gas, Others	24.3	16.4	22	24	27
Defense, Refinery Needs, Losses	10.3	8.1	8	8	7
Total Oil Demand:	143.5	109.8	112	107	96
Percentage Share of Oil In Primary Energy Supply	51	44	41	36	30

Source: Esso

The forecast is based on the assumption that the share of oil within the total energy pattern will only be maintained in lighter products where substitution is costly and difficult, such as gasoline, diesel fuel and raw gas. In industry, households and at other small users, on the other hand, consumption will drop steeply as it is replaced by other sources of energy such as coal and natural gas.

All these forecasts have to be treated with the utmost caution. During the last turbulent decade, all forecasts, including the government's own, have been wildly overestimating overall primary energy demand, based as they were on previous economic and energy growth rates. The experiences of the last few years have shown that even short-term economic forecasts can be wrong by a percentage point or two, which, in turn, have repercussions in industry, energy use, pay negotiations and political fortunes.

However, assuming that the International Energy Agency, the oil companies, Western governments and industry are correct in deeming the present oil glut and consequent price drop as a strictly temporary phase in what is still, in the very long run, a scarce commodity, the oil companies' new strategies, including diversification, certainly seem justified.

All oil companies, Deutsche BP, the other oil majors and such smaller, German companies as Wintershall and UK Wesceling, subsidiaries of the chemicals concern BASF and the energy utility RWE respectively, have been losing an estimated 50 to 70 DM a ton on their oil sales. Buying heavily in the Rotterdam spot market at a time of glut as Shell, Veba and even BP have been doing in recent months may have mitigated the losses somewhat. But such temporary gains must be set against what an executive has described as the "insurance premium" of contracts that safeguard supplies in the long term.

Meanwhile, Germany's natural-gas industry — the *par excellence* growth industry, which has trebled its share of the primary energy market in the last 15 years — is taking last year's setback in sales (more than 4 million tons of coal equivalent) philosophically.

Ruhrgas, the utility with a dominant role in the market, sees it as just temporary. The recession and overall fall in primary energy consumption apart, it was entirely the drop by one-fifth of gas used in power stations and large boilers that has led to the setback. (The share of gas in overall consumption in this sector dropped from 28 percent in 1980 to 19 percent last year.)

Investment abroad, the long view, has lost some appeal to foreign business since it acquired a socialist government. Prolonged political and economic instability in Italy has caused some West German interests to pull out, but interest is growing in Spain because of its prospective membership in the European Communities.

Much more change has been noticeable in investment strategies in the Third World, where West German business interests are even more concentrated, with five countries in this sector accounting for two-thirds of investment in 1981, namely Brazil, the Cayman Islands, Mexico, Argentina and Panama. Not surprisingly, Latin America accounted for 51 percent of Third World investments in the first half of 1982, with Africa trailing at 15 percent, Asia 14 percent and Southern Europe (Spain, including the Canary Islands, and Portugal) 20 percent.

Brazil maintains overwhelming dominance among West German investments in developing countries, and its importance has increased in proportion to most industrialized countries as well. Germans have played an important role in the dynamic rise of a number of Brazilian industries, including metal-producing, mechanical engineering, vehicle construction and chemicals. Industrialization brought heavy dependence on oil imports so that the oil-price increases from 1973 onward forced the country to introduce severely restrictive import policies and curbs on repatriation of profits.

One defensive measure was to insist on a steadily increasing Brazilian element in manufacturing processes — a move that attracted a further influx of subsidiary Ger-

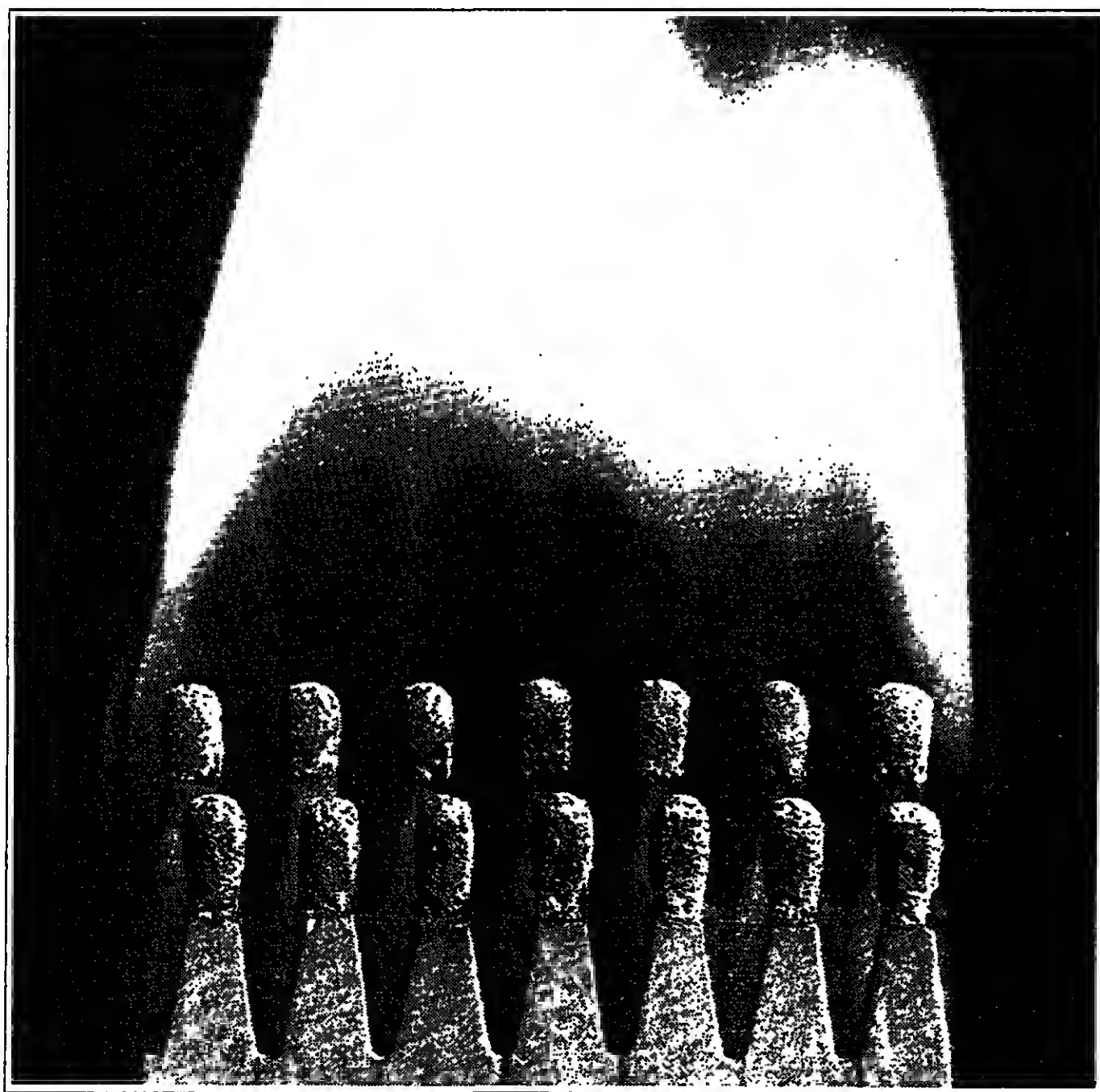
man suppliers. The German state in Brazil also smoothed the way to new markets, enabling Volkswagen, which opened its first Brazilian factory in 1957, to sell cars from Brazil to such markets as Algeria and Iraq.

Investment in Mexico, second in Latin American terms, is only a fifth of the Brazilian level, but the current state of the Mexican economy has left West German interests in an even greater plight.

Although small in overall terms, manufacturers' interest in the newly industrialized economies of the Far East, and the ASEAN countries in particular, has shown a marked increase in recent years.

Taiwan remains *terra incognita* for political reasons (because of important trade links with China), but Singapore has proved popular despite the disastrous collapse of Rollei, one of the island's main foreign investors, and the government's overnight decision to adopt a high wage policy. Siemens, on the other hand, proved big enough to invest in South Korea, Indonesia and Singapore, using a combined production strategy and selling from Singapore for financial reasons.

One of the most important increases since the late 1970s has been in the service sector — banks, insurance and trading houses — largely through the worldwide internationalization of this sector. While it is now widely accepted that economic growth in the 1980s will not be maintained at the level of the 1970s, the main structural change in West German investment overseas is expected to be away from Latin America toward newer growth centers in the Far East.



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WEST GERMANY

Total Energy Policy Divides Leadership Of Coal Industry

ESSEN — The word crisis is hardly new in the vocabulary of the West German coal industry.

Its position as an important supplier to the primary energy market of the federal republic should be safer than elsewhere because it is an indigenous fuel highly competitive in certain uses, because there are deposits estimated to last at least 300 years, because productivity in German pits at almost 4 tons a man-shift is the highest in Europe and because it is acknowledged as a "strategic reserve" safeguarding against future oil crisis. Yet once again, the industry is facing an uncertain future.

The uncertainty centers, in part, on personalities. The contract of Karlheinz Bund, forceful chief executive of Ruhrkohle, West Germany's major coal corporation, which produces around 70 percent of the country's output, is being renewed for only two years instead of the expected five-year term. In 1985, when he is 60, Mr. Bund is due to be replaced by Heinz Horn, 53, at present, chief executive of Eschweiler Bergwerksverein, a subsidiary of Arbed, the Luxembourg-Saar steel company.

Mr. Bund has so far kept quiet. After all, his contract has another two years to run. However, it is no secret that he regarded Ruhrkohle not merely as a coal producer but also as a "total entity" concern, with a major influence on the country's future energy policy. In this, apparently, he had come up against other powerful personalities on the concern's supervisory board, among them, the chairman, Dieter Spethmann, who is chief executive of Thyssen, the country's largest steel producer, and his deputy, Rudolf Bennigen Feeder, chief executive of VEB, West Germany's top energy group.

The two corporations rank eighth and first respectively in terms of overall German turnover and control around 40 percent of Ruhrkohle's equity capital. (Ruhrkohle was set up 15 years ago as a result of a multiple merger of Ruhr mine owners, some also major steel companies.)

Mr. Bund's earlier-than-expected departure may have been brought about with the change of government. The new center-right coalition is certain to take a fresh look at the multilayer subsidy system, which ensures that German hard-

coal — as opposed to soft or "brown" coal, of which there are substantial deposits — receives preferential treatment against other sources of energy as well as imports of cheaper foreign coal.

The plight of the coal industry is compounded by the sharp drop in the price of oil, which it had hoped to partly supplant in the heating sector, the recession that last year led to the fourth consecutive drop in overall primary energy consumption and the slump in the steel industry, one of its two main customers, the other being the power utilities.

So far, coal has maintained its position within the overall energy market. Its share even rose slightly last year to 21.2 percent of the total.

The present government had been making some encouraging gestures before the elections. When commenting on the effect of falling oil prices, the Ministry of Economics has tried to reassure the industry that the so-called "century contract" envisages a substantial rise in supplies to power stations for the rest of this century. Moreover, there was little likelihood of a return to oil as blast-furnace fuel for steelworks.

However, the same statement added that the latter was only so long as the difference in price (between domestic and imported coal) is balanced by the coking coal subsidy. The statement made no reference as to whether these subsidies would be increased, maintained at the present level, cut or abolished altogether. While the last option is unlikely, the government's inclination would certainly be to cut subsidies across the board, even though German coking coal sales, nearly one-third to steel works in the rest of the European Community, took a hefty knock last year.

The statement also notes that the drop in oil prices is likely to damage the replacement of oil by coal in the heating sector, which absorbs 40 percent of all primary energy. Oil and gas supply 80 percent of its market, against coal's 15 percent. And, as the statement adds, "cheap imported coal should not be affected by lower oil prices."

The oil glut has also led to a drastic — though little published — revision of the oil and gas sub-



Ruhr Valley coal miners emerge from mine.

stitution measures set in motion by the rise in oil prices during the 1970s. The 14-billion-DM oil substitution program of 13 coal-gasification and liquefaction plants had already been scaled down by the previous government. Now, it seems that only three or four demonstration plants, including one liquefaction plant, will be built during the current decade. The sums earmarked for coal "refining" have also been reduced to an annual average of 400 million DM between now and 1985, only slightly less than the expenditure planned by the Ministry of Research and Technology for this year but only two-thirds of the sum earmarked for 1984 and half the 1985 expenditure originally planned.

The industry is also fearful that the restrictions that kept coal imports down to around 10 million tons last year — domestic production was 88.4 million tons, marginally more than in 1981 — may be relaxed under continued pressure by the major users, the power utilities and the steelworks, especially as these restrictions are due to be reviewed before the end of this year. The impression is gaining ground that, in spite of the sagging electricity demand, the Kohl government will encourage the utilities to pursue their nuclear programs more vigorously. (Last year the share of nuclear power within the total electricity supply rose from 17 to 21 percent, against the 60-percent contribution by hard and soft coal, in about equal proportions.)

The coal industry, always a powerful lobby, is fighting back — although Mr. Bund's curtailed term of office is bound to make him per-

sonally a less effective force than hitherto.

But with 23 million tons of coal in stock, as well as another 10 million tons "national reserve," a drop in sales of 9 million tons last year as against the slight increase in output, the coal lobby certainly has its work cut out. Moreover, the recession, declining oil prices, losses by the two coal corporations Ruhrkohle and Saarbergwerke probably exceeding this year the 1981 combined loss of 200 million DM and a government less sensitive to its demands and warnings add to the agenda.

The industry's counter-argument, as put recently by Gerhard Ott, an executive of the coal industry's association, is that the oil glut is temporary — in this he is being backed by the International Energy Agency — but that the industry today is unable to bridge the gap between production and sales from its own financial resources in the short and medium term.

The objective to safeguard the contribution of coal, he said, is unchanged, and that is to recognize the global energy perspectives and the consequent risks that endanger the country's long-term energy supply.

In the long term, too, Mr. Ott said, coal sales will match present production capacity. The coal corporations are correct in aiming their investment and employment policies at maintaining capacity. To this end, he wants the various subsidies to continue, including the import restriction, coupled with a "flexible increase" in the national reserve beyond 1984.

—ANDREW HARGRAVE

Test Program Pronounces Use of Methanol Feasible

By Jean-Louis Prevost

BONN — Methanol fuels are ready for use in West Germany after four years of tests in a program called "Alternative Energy for Road Traffic." The program, which ended with a two-day meeting Feb. 9-11 in West Berlin, was organized jointly by the West German Ministry of Research and Technology, eight major vehicle manufacturers — Volkswagen, Mercedes, Ford, Opel, BMW, Porsche, KHD and MAN — and the country's top oil companies.

The idea at the outset was to develop a fuel called M100, made of only methanol — or CH₃OH — produced from natural gas, oil residues and coal. A thousand cars took part in the experiment, and a second fuel called M15, containing only 15 percent methanol, was also tested.

There were experiments, too, with hydrogen-powered and electric cars. Experts said there appeared to be many technical obstacles to developing a hydrogen-powered vehicle, but that electric cars could become commonplace by the turn of the century.

Technically, M100 poses a number of problems: its performance is poor in below-freezing temperatures. It has a high pollution level and wears out engines faster than classic fuels. But experts believe these drawbacks can be overcome.

Another shortcoming of the experimental fuel is that it is less powerful than gasoline. A car needs 1.7 liters of M100 instead of 1 liter of gasoline. This will mean bigger tanks on cars and a denser network of filling stations.

It also will mean that M100 probably will be used only within a limited urban framework — in taxis, delivery trucks or official vehicles. An alternative would be to use M15, which does not require bigger fuel tanks, but lacks the economic advantages of pure methanol.

According to a 1980 report comparing the prices of traditional and alcohol-added fuels, methanol is about the same price as gasoline. A ton of methanol costs 445 Deutsche marks and a ton of gasoline 700 DM, but as more methanol is needed to obtain the same result as gasoline, the prices even out.

Although the recent drop in oil prices has made methanol comparatively more expensive, eventual increases in fuel rates should make M100 economically competitive in the long term, experts believe. West Germany can either import or produce methanol. In the long run, importing it would probably be cheaper than producing it. But in the medium term, West Germany could use lignite to produce the fuel and the country's large lignite deposits would allow producers to economize 270 marks on a ton of gasoline, according to the report.

So far, no decision has been reached to generalize the use of methanol. Experts believe the impetus will have to come from the government. They believe M15 can be mass-produced in the short term. As for M100, it will only be used in cities at first, but could be developed in the medium term.

Experts think that by the year 2000, some 1.5 million cars running on M100 could use 2 to 3 million tons of methanol annually — or 10 percent of West Germany's fuel consumption for 1981.

The Mark: Strength Is National Pride

By Vivian Lewis

FRANKFURT — The strength of the Deutsche mark is a matter of public pride in West Germany. Every day, throughout the country, the Wendy's hamburger chain posts the current dollar-DM exchange rate outside its stores, to enable customers to play for their fast food with dollars. (Change is made in West Germany, not U.S. coins.)

Among professionals, too, there is an irrational side to the pride they take in the currency's prospects. "All those people who talk about 'the natural level for the mark'," said one Frankfurt foreign exchange specialist, "make me sick." A Privatbankier economist in Cologne, said: "Officially we forecast that the dollar will be at 2.2 DM at the end of the year. But what I tell my friends is that it will be under 2."

After the two revaluations of the late 1960s, and when the floating rate system began in early 1973, the mark became known as "a strong currency" and Germans assumed that their marks would buy ever more dollars every year forever. That confidence was shattered when the mark itself weakened in 1981, from which it has not yet fully recovered. For Germans looking for renewed certainties, there is little consolation in the steady revaluation of the mark against other currencies in the European Monetary System. For all to be right in the

world, the dollar should be worth less than two marks.

Among the professionals, the range of forecasts for the mark at yearend seems to give scarce comfort to fans of a 50-cent mark. The forecasts of the professionals all hover around the level of 2.30 DM to 2.30 DM. "There is no way that 1983 can be a repetition of 1977-78, when the mark was the strongest currency," one Munich expert said.

Spelling out the logic of a forecast in the consensus range was David Kern, manager of the economic analysis section of Britain's National Westminster Bank, who was speaking in a personal capacity. "Of the three fundamental factors influencing the dollar-DM exchange rate, the inflation differential, in my personal view, has proven the dominant long-term factor. And while in competing countries the inflation gap is coming down, it still exists, with the immediate outlook for German inflation to stay at 3 1/2 to 4 percent, well below the international average."

Mr. Kern added: "Relative interest rates were a key factor in the late 1970s and firm monetary policies adopted by the Fed resulted in a strong dollar. In spite of recent falls in U.S. rates, there is still a gap against Germany, but it is narrowing. It is more difficult," he said, "to assess the capital accounts, which are not well-documented. Germany here has to com-

pete with the considerable financial attractions of the U.S., which is perceived as politically and strategically 'safer.'"

Feeding on the inflation disadvantage to the U.S. is the current account. For Mr. Kern, "the balance of payments clearly favors Germany, which is running a current-account surplus among the strongest in Europe, projected at \$4 billion to \$6 billion even before the effect of the oil price fall has been factored in." So for the close of 1983, Mr. Kern puts the dollar at 2.30 DM. "On the way there the mark could temporarily be stronger, and then fall back; I certainly do not think it is going anywhere near two," he said.

Another bank economist, Yves Laitlan, of France's Société Générale, predicts "a steady slow drop of the dollar of 3 percent a year over the next two years." For Mr. Laitlan, "the DM is undervalued, because the German economy is poised for a really strong recovery." Most bankers expect the non-EMS currencies to move with the dollar, which Mr. Kern calls "a key international rate."

But some bankers predict cross-rate adjustments. A Frankfurt Privatbankier said that it is in the cross-rates that money is made. "The Swiss franc," he said, "will go down against the mark. The Swiss National Bank will intervene for the sake of trade, in order to overcome the pressure upward on the

Swiss franc, which acts as a political haven currency for the EEC."

And the same banker forecasts, that the dollar will fall less sharply against the yen than against the mark, leading to a yen weaker against the mark.

But bankers warn that things may prove more complicated than the simple effect of fundamentals. Mr. Kern, as noted, anticipates that there will be some overshooting before the mark reaches its target level. The Frankfurt Privatbankier warns that a distortion may result from the considerable available funds in Euro-DM — about \$30 billion worth.

Philip D. Sherman, a senior vice president at Citibank in Frankfurt, argues: "The DM has become a substitute for a number of currencies," so that "whatever exchange rate fundamentals may be, rates are less predictable because of the increase in market volatility." He attributed the trend to the growth of the Chicago futures market in currencies and the spread of "screens," desk-top foreign exchange consoles. "They enable hundreds of individuals and corporations to take positions," he said.

For the EMS, among bankers there is a sentiment that all the adjustments necessary have not all been made. Before the March 21 realignment, it was widely stated that the mark ought to rise against the weak currencies in the EMS by at least 10 percent this year.

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Processing Co. Ltd.
The Oluji/Ondo State
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Swat Ceramics
Co. Ltd.
Shaidu/NWFP
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Okpella/Benue State
450,000 tons/year
Indonesia
P. T. Semen Tonasa
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510,000 tons/year

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WEST GERMANY

Chemicals: Sagging Exports and Stagnant Sales

FRANKFURT — The West German chemicals industry, a world leader and considered by some as a barometer of the country's economy, had its worst year in 1982 since the post-oil shock year of 1975.

Profits were substantially down, sales virtually stagnant, output nearly 5 percent below the modest — by the industry's standards — levels of 1981. Investment also was down by 7 percent, to 6.7 billion Deutsche marks. Even exports, which often have come to the rescue at indifferent times and which form almost half the industry's domestic output, have been sagging since the middle of last year.

Hoechst, one of the West German "Big Three" and the first to report last year's results, is typical of the industry's performance. Hoechst's world sales, at 35 billion DM, were marginally (1.7 percent) up because the 3-percent drop in domestic sales was more than balanced by a 3.5-percent increase in global sales. (Nearly two-thirds of Hoechst's business is outside the country, a figure exceeded only by Bayer's 76 percent.) Concealed by the overall rise in Hoechst's turnover value was a decline of 2 percent in volume sales. Capacity utilization averaged 71 percent, 5 percent less than in the previous year. The parent company's pre-tax profits were down, in 1982 by 5.4 percent to 679 million DM — or to 5.5 percent from 5.9 percent on turnover — and the dividend is being cut.

Rolf Sammet, Hoechst's chief executive, reported a "slight revival in business" in the first two months of 1983 although "exports had not quite come up to our expectations," he said. Indeed, that "slight revival," coupled with a substantial fall in the price of oil, the industry's main raw material and an energy source, is a good sign, especially as it is accompanied by similar signs for the West German economy as a whole.

Herbert Grunevald, chief executive of Bayer and current president of the industry's association VCI, also has welcomed these developments. At the same time, he warned that lower feedstock and energy costs are likely to be passed on to customers in price cuts, rather than to contribute to improved profitability.

Particularly hard hit by the recession were such basic chemicals as ammonia (tonnages 21.5 percent down from 1981), calcium carbide (27.3 percent down), ethylene (10.5 percent down), nitrogen fertilizers (29.5 percent down) and phosphate fertilizers (15.3 percent down). Rel-

West German Chemicals Industry: Comparisons 1981-82 (First 11 months)

	1981	1982 %Chg
Turnover (DM billion)	107.9	108.7 +0.7
Domestic	64.1	64.2 +0.1
Foreign	43.8	44.5 +1.7
Employment (000s)	565	559 -1.0
Imports (DM billion)	27.7	29.3 +5.8
(Percent of Domestic Consumption)	25.7	27.0
Exports (DM billion)	49.6	50.9 +2.6
(Percent of Domestic Output)	46.0	46.8
Index of Production 1976=100	109.5	104.2 -4.8
Production Price Index 1976=100	123.3	128.6 +4.3

Source: VCI

atively less affected were lacquers, coating materials and dilution agents, while such specialties as fungicides and herbicides, pharmaceuticals and detergents recorded small advances in volume sales.

All three "majors" — Hoechst, Bayer and BASF — as well as several other German chemical companies are represented strongly in the United States with investments totaling more than 50 billion DM by the end of 1981. However, this largest single market in the world also has been hit hard by the recession, — particularly in volume products such as man-made fibers, plastics and fertilizers — and, indirectly, by the slump in other industries supplied by the chemical industry. This is reflected in the German results for 1982.

Although export sales had been declining in real terms since the middle of 1982, some export markets have held up better than others. However, imports rose by more than exports and certain countries have succeeded in penetrating the West German market, with Japan as an outstanding example.

Statistics show a substantial drop in trade with the Eastern Bloc, caused by foreign exchange shortages as much as by the recession. One exception: Exports to debt-ridden Poland indicate an above-average rise.

The recession has affected the "majors" in different ways, although all have suffered from the slump in man-made fibers and plastics. Those strongly engaged in pharmaceuticals like Hoechst (17 percent of 1981 turnover) and Bayer (16 percent) or in plant protection have fared relatively better than BASF. The latter also has a loss-making oil refining subsidiary, Wintershall, and a higher proportion of its output in volume products such as chemical fertilizers, which are among those hardest hit

by the recession. On the other hand, Wintershall's involvement in domestic oil and gas exploration — particularly gas — has yielded satisfactory profits in recent years.

The slightly-better-than-average performance last year by Henkel (sales up by 4.5 percent), West Germany's largest detergent manufacturer with a wide range of specialties, also reflects the overall turnover pattern for the industry.

The Big Three (like Henkel) have been making strenuous efforts, particularly since the first oil shock 10 years ago, to economize on energy and feedstock, to adjust their product ranges and structures to the vicissitudes and changes in the market (such as developing specialties) and, at the same time, to diversify into new fields where their technological expertise and capacities can be utilized and extended.

For instance, the focal points of Hoechst's current research are health, nutrition, communications,

energy/raw materials and environmental protection. Pollution control is a major preoccupation for the industry, which spent a total of 20 billion DM between 1974-1982 on anti-pollution measures, 5 billion in new plants, the rest in existing ones.

Information technology makes up relatively small but fast-growing sectors at Hoechst and at BASF, which also markets audio/video cassettes and, in association with Hitachi, data processing devices. One of Bayer's new and expanding lines of business is biotechnology, which stems directly from its pharmaceutical and health-care interests, including those in the United States.

There will be other changes in the industry, too. The chief executives of each of the Big Three are retiring within the next couple of years. Matthias Seefelder of BASF later this year, Mr. Sammet in 1985. All are expected to succeed to the chairmanships of their respective supervisory boards.

All three executives have been outstanding personalities on the industrial scene, not only because of their wide-ranging interests, but also because of their impact on West German as well as European Community policies: on competition, taxation, energy and raw material provision and access. It will be instructive to see whether the changes at the top of the Big Three will signal changes in style and direction. This, of course, will depend to some extent on how far the new supervisory board chiefs will let loose control of their respective corporations and will seek to influence their successors.

—ANDREW HARGRAVE

Chemical Imports, Exports From and to Selected Regions, Countries (in DM Millions) — 1981 and 1982

Region/Country	Imports 1981	Imports 1982	%Change	Exports 1981	Exports 1982	%Change
European Community	18,122.8	19,081.2	+5.3	22,992.3	24,626.4	+7.1
France	4,525.7	4,521.9	-0.1	5,305.2	5,735.0	+8.1
Belgium-Luxembourg	3,823.6	4,291.1	+12.2	3,819.8	3,940.4	+3.2
Netherlands	5,372.0	5,671.7	+5.6	4,378.7	4,771.8	+9.0
Italy	1,568.2	1,652.7	+5.4	4,491.3	4,803.2	+6.9
Great Britain	2,353.3	2,359.5	+0.3	3,098.4	3,374.1	+8.9
EFTA	3,263.1	3,469.4	+6.3	7,088.4	7,344.5	+3.6
Sweden	324.7	373.5	+15.0	1,145.2	1,196.7	+4.5
Switzerland	1,660.3	1,799.6	+8.4	2,300.1	2,409.7	+4.8
Austria	819.9	785.0	-4.3	2,193.2	2,253.5	+2.8
Eastern Bloc	1,262.9	1,135.8	-10.1	3,188.6	2,889.7	-9.7
Soviet Union	524.0	456.0	-13.0	1,070.5	1,039.4	-2.9
Czechoslovakia	256.6	235.4	-8.3	524.8	440.1	-16.1
Poland	156.7	104.2	-33.5	388.4	412.6	+6.2
Hungary	194.4	197.4	+1.5	623.9	597.2	-4.3
Romania	97.4	112.5	+15.5	293.5	171.8	-41.5
Bulgaria	33.7	30.2	-10.4	207.3	212.9	+2.7
U.S.A.	2,473.4	2,616.2	+5.8	2,217.2	2,286.4	+3.1
Japan	907.0	1,083.9	+19.5	1,252.0	1,308.5	+4.5
World	27,692.0	29,298.5	+5.8	49,581.4	50,888.4	+2.6

Source: VCI

Rhine-Main-Danube Canal Remains a Controversial Issue

MUNICH — The charge by Volker Hauff, transport minister in Helmut Schmidt's last coalition government that the Rhine-Main-Danube Canal was "the most stupid project since the building of the Tower of Babel" made certain that the canal would be a hot issue during the recent election.

And it was. Mr. Hauff's Free Democratic Party is against the canal. The Social Democrats are divided, with only the Bavarian branch for it. The Christian Democratic Union hesitated and a month before polling day gave it the go-ahead. The Christian Social Union, the Bavarian wing of the CDU, has given it steady support.

The canal was a ready-made target for the Greens, who said that it would serve the interests of big business and construction firms. They see it as a prestige project to bolster the current Bavarian government under its feisty leader, Franz-Josef Strauss, who sits on the canal's supervisory board.

The action group fighting the canal, supported by 740,000 signatures, said the idyllic beauty and rare wildlife in the Altmühl and Danube valleys were being sacrificed to keep the Austrian steel industry in a state of overcapacity. No one denies that it will lose a lot of money.

Not surprisingly the public has

tended to become either skeptical or just confused by the immensely complicated ramifications of the controversy. The idea goes back 1,200 years to the reign of Charlemagne, who dreamed of a great waterway that would connect the North Sea with the Black Sea by joining the Rhine, Main and Danube. His efforts in 793 were defeated by heavy rains, which washed away the banks of his "ditch."

Napoleon I took up the idea and encouraged Bavaria's King Ludwig I to complete the waterway. In 1846, a labor force of 9,000 completed the Ludwig Canal from Bamberg to Dietfurt, but since

1863 it has lost money to the railways and is inadequate for modern needs.

In 1921, the present Rhine-Main-Danube Company was set up to manage and construct the canal and is financed by the federal and Bavarian governments in the proportion two to one. Construction dragged on until 1980, when Mr. Hauff arrived at the Ministry of Transport. At the end of 1981 he reduced the flow of funds, but the cabinet instructed him to investigate the future of the canal in the hope that the remaining work could be scrapped.

The federal and Bavarian transport ministries were to draw up a

joint report, but cooperation between the two bodies was difficult because of the overwhelming pro-canal lobby in Bavaria. Nevertheless, a balance sheet of costs and construction was completed last November, by which time government control had switched from the SPD to the CDU.

The report stated that 606 kilometers of canal digging and river widening had been completed or was under construction by the end of 1981 and a further 70 kilometers of river widening was at the planning stage. This left only 99 kilometers between Nuremberg and Kelheim to construct, of which 44 was complete or nearly so. Some 300

million DM already were committed to this stretch and 975 million DM were needed to finish the task.

Now that the CDU has overtaken the FDP as the second biggest party in Bonn's coalition government, it is hard to foresee a reversal of the decision to complete the canal. During the preparation of last year's government report, Bonn was dismayed to discover a federal law stipulating that the landscape must be restored to its original state if a government project is abandoned. Munich's politicians threaten to invoke the law if they fail to get their way.

—GEOFFREY WESTON

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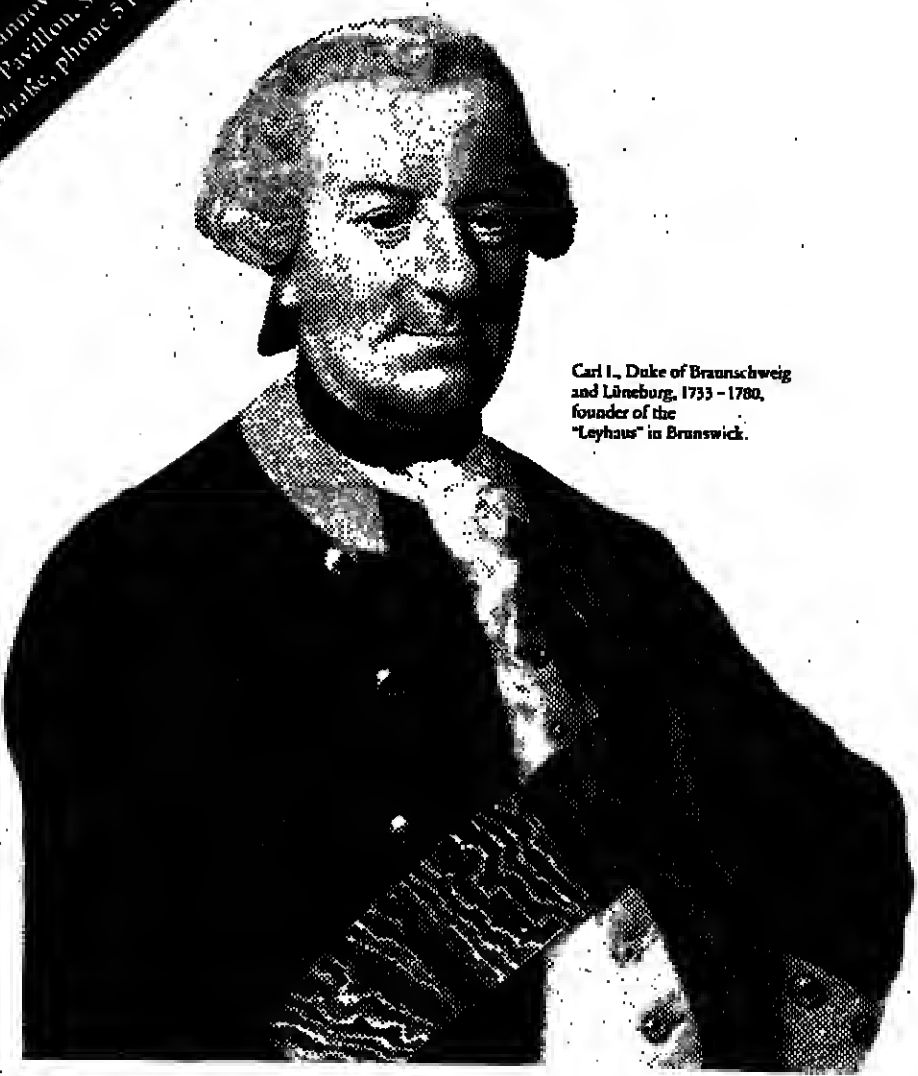
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Total assets per 31.12.1982	DM 54.9 billion
Own funds issued in 1982	DM 9.4 billion
Own funds in circulation per 31.12.1982	DM 27.5 billion
Total of loans outstanding per 31.12.1982	DM 40.0 billion
— of which long-term loans	DM 31.5 billion

Preliminary figures from the balance sheet as of 31.12.1982.

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WEST GERMANY

Shipping: Recession Causes Streamlining

HAMBURG — The continuing world recession is testing the ingenuity and resilience of the West German shipping and seaport industries.

The recession has led to considerable changes in the structure of the merchant fleet, both in terms of types of ship and registration. It has caused streamlining of crews and port handling facilities, the sale of surplus ships wherever possible and switches to more cost-effective containers.

Nevertheless, only last month the leading West German shipping company, Hapag Lloyd, had to turn to its major shareholders, the Deutsche and Dresdner banks and the Allianz insurance company, to help reconstruct its capital structure.

Hapag Lloyd was also forced to sell its prestigious Hamburg headquarters building as well as other assets to stem losses and raise cash. This year, it will also cease its bulk carrier and tanker operations and in future limit these to container and liner traffic. And contrary to previous practices, to save costs, it has placed orders in a South Korean yard for two container ships as part of a consortium fleet on the South American route.

The West German shipping association VDR reported that, as part of the slimming-down operation, the merchant fleet shed around 500,000 British registered tons last year and was now down to just over 10 million BRT. The number of ships — 761 — is, how-

ever, virtually the same, reflecting the change toward smaller specialized vessels.

Nearly 40 percent of the fleet now sails under flags of convenience, with more than half registered in foreign ports, to economize on high German labor costs and port charges. The sale of 40 ships last year, including five giant tankers, has saved German laid-up shipping from rising to the world average of over 12 percent. What tankers remain tend to be specialized, carrying chemicals, oil products, natural oils and liquid gas rather than crude oil.

The VDR report noted that for the first time, tramp ships overtook bulk carriers in terms of tonnage. The rise in ships sailing under foreign flags is particularly noticeable among bulk carriers (60 percent) and tramp ships (52 percent). Moreover, every one of the 21 refrigerated cargo ships — including the 11 registered in Germany — sail under flags of convenience, although the proportion is somewhat lower for tankers (25 percent), cargo liners (21 percent) and cruise ships (9 percent).

An encouraging feature of the German fleet is its youth: 69 percent of the tonnage is less than 10 years old (the world average is 54.5 percent), with only five ships over 20 years old.

Despite the recession, the freight slump and an enormous overcapacity worldwide, West German shipping companies have plans for 139 new ships worth a total of 4.6 bil-

The West German Merchant Fleet				
Type of Ship		Percent of Total Tonnage		
		Numbers	BRT	1/1/83 1/1/82
Tankers	128	2,788,386	36.1	39.7
Tramp Ships	247	1,707,351	22.1	19.6
Bulk Carriers	48	1,585,624	20.5	20.8
Cargo Liners	106	1,422,993	18.4	17.3
Cruise Ships	10	133,647	1.8	1.6
Cargo Ships	11	87,090	1.1	1.0
Total	550	7,725,091	100.0	100.0

Source: VDR

lion DM. Unfortunately, the Federal Ministry of Transport, which provides a 12.5-percent investment subsidy toward building costs in German yards, currently has only 230 million DM available. This means that there will only be enough cash for ships worth 1.84 million DM. More than half the ships planned would either have to be built without a subsidy, or await the next installment, which may or may not materialize.

The pressure for a new infusion of government cash will come not only from the shipping lines but from the hard-hit shipyards. One of the largest and oldest, Bremer Vulkan, was saved from closure last month only at the last minute by direct intervention from the Bremen state government.

Almost two-thirds of West German merchant ships, representing 70.5 percent of the total tonnage, have their home base in Germany's leading port, which last year accounted for 44.5 percent of the total tonnage handled by the coun-

try's 12 most important ports. However, although nearly 62 million tons of cargo was handled, Helmut F. H. Hansen, chief commercial executive of the port, warned that bread-and-butter items such as general and bagged cargo tonnage were declining, as were cargos particularly sensitive to recession, such as iron and steel.

There was also a slight drop in container traffic, the pacemaker of port expansion in recent years and a recipient of considerable investment.

Hamburg is one of the world's biggest container ports, as is Bremen.

"The position would have been worse if it were not for the continuing buoyancy of German exports," Mr. Hansen said. Transit, which incidentally increased shipments of grain for the Soviet Union, has also suffered. "Economic decline has hit the Comcon countries as painfully as the Western nations," Mr. Hansen added.

—ANDREW HARGRAVE

Aviation: Era of Joint Ventures, Mergers

By John Dornberg

MUNICH — There seemed to be a time when the words aviation and space seemed virtually synonymous with "German." Orville and Wilbur Wright were still repairing bicycles when a German, Otto Lilienthal, made the world's first piloted glider flight in 1891, and it was largely his innovative work that aroused the interest of the Wright brothers in flying.

German pioneering triumphs on the record since Lilienthal are: the dirigibles of Count Ferdinand von Zeppelin; the world's first all-metal airplane, Hugo Junkers' J-1 in 1915; Claudius Dornier's luxurious Do-X flying boat, which crossed the Atlantic with 169 passengers as early as 1930; the first rocket aircraft, by Ernst Heinkel; the V-1 "buzz" bomb and V-2 missile, developed by Werner von Braun; the first jet fighter, mass-produced by Willy Messerschmitt in the waning months of World War II; the remarkable Do-31, the first and thus far only vertical-takeoff jet transport, which made its initial flight in 1967.

Yet, for all these pace-setting developments, West Germany has ranked as little more than an afterthought in the world of aerospace since the war, and until quite recently, the history of its industry was largely a tale of second-rate technology and commercial flops.

Postwar restrictions on the industry were one, if not the chief, reason. It was not until 1955, when the federal republic gained complete sovereignty and joined NATO, that West Germans were

even permitted to produce powered aircraft.

Most of the big-name designers and manufacturers had survived the occupation ban and were still on the scene: Messerschmitt, Junkers, Heinkel, Dornier, Focke-Wulf, Blohm & Voss. They had been joined by a few newcomers such as Ludwig Bölkow and Hanno Fischer.

For a decade they had tried to keep themselves afloat, either by designing and manufacturing surreptitiously abroad, such as Messerschmitt in Spain, or by making sports gliders, prefabricated houses and so-called "Kabinenroller" — "cabin scooters" — which were minicars that looked like airplane cockpits on wheels, usually powered by motorcycle engines. When the restraints were lifted they were all eager to get back into the business they knew best.

But the beginnings were inauspicious — mostly contracts to assemble no-franchise American-designed jets for use by the new Luftwaffe — F-84s, F-86s and finally the F-104-G "Starfighter" — as well as troop and freight carriers such as the French designed "No-rail" and "Transall."

The Germans lacked the financial means — and, many complained, the government contracts and funding — with which to close the 10-year gap during which the U.S. aerospace industry had established its dominance and the French and British had gained commanding leads.

During the first two decades after its rebirth the West German industry established a reputation primarily for building the world's fan-

ciest models and mockups, none of which could fly, as well as a few sensational prototypes, such as Dornier's VTOL transport, the HFB-320 Hansa business jet and the VFW-614 short range 40-passenger jetliner, all of which failed to win government go-ahead for mass production or niches in the highly competitive marketplace.

There were some exceptions. One of the most notable was Bölkow's BO-105 helicopter, using his unarticulated rotor with the high-elasticity GFK rotor blade. More than 1,200 of the BO-105 have been sold to over 36 countries since the prototype was unveiled in 1967.

Another exception was Dornier, which has sold more than 600 of its Do-27s and more than 900 of the Do-28 "Skyers" — both highly efficient utility and commuter aircraft, the latter a turbo-prop version.

But, on the whole, it was a period of floundering and wing-flapping, marked, moreover, by a succession of corporate mergers and fusions, the latest in 1981, that led to all of the once famous names and manufacturers, except Dornier, becoming part of the giant that now dominates the industry — Messerschmitt-Bölkow-Blohm (MBB), with headquarters in Munich-Ottobrunn.

Perhaps, as MBB's new chief executive officer, Hanns Arnt Vogels, says, the mergers were what the industry really needed to make it technologically competitive and commercially viable in an aerospace world dominated by the United States and in which even

the French and British are second-team players.

At any rate, in recent years, since the late 1970s — West Germany has at least returned to the aerospace map.

The comeback is due in large measure to successful joint ventures: the Airbus; the Franco-German Alpha Jet fighter, of which Dornier delivered the last of 175 ordered by the Luftwaffe in January; the German-British-Italian Tornado multipurpose fighter-bomber-reconnaissance jet; the European Ariane rocket; the multipassenger Spacelab, which will make the first of more than 50 trips into orbit aboard the Columbia shuttle in September; the Shuttle Pallet Satellite (SPAS-01) aboard the Challenger in April; Exosat, an X-ray telescope satellite intended for outer-space pulsar and black-hole research, scheduled for launching into a 300-by-200,000-kilometer orbit this summer, and, a variety of European communications satellites.

But in many of these projects the West Germans play a leading role these days. Thus, 37.9 percent of the Airbus — virtually the entire tail and most of the fuselage — and 42.5 percent of the Tornado are designed and built by MBB. The firm's ERNO subsidiary is primarily responsible for the Spacelab and together with Dornier it has the major chunk of other European satellites. MBB and France's Aerospatiale are equally involved in the development and production of various anti-aircraft and anti-tank missiles such as Roland, Milan and HOT.

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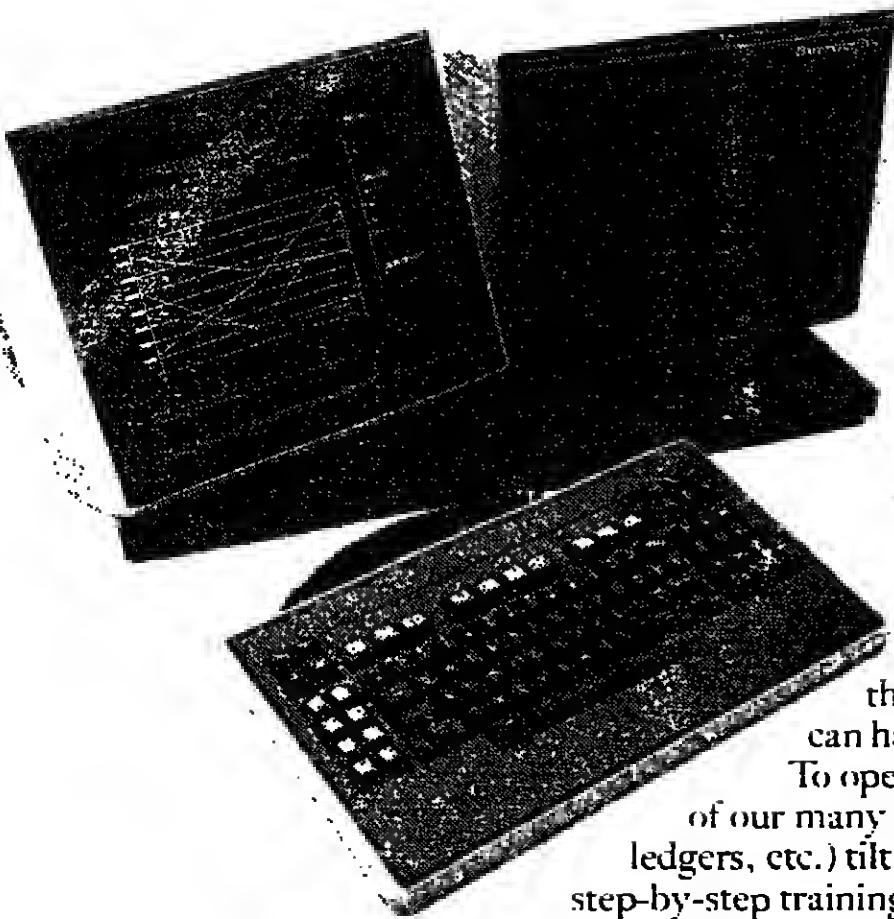
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WEST GERMANY

Greens: Priorities for New Role

BONN — The joy with which the anti-nuclear Green party celebrated its entry into the Bundestag on March 6, has given way to the frustrations and realities of preparing for constructive and effective parliamentary opposition.

"We have got to make our mark within the first 100 days, it will not be enough just to sit there," said Petra Kelly, one of the 27 Green deputies and a co-leader of the party. "Making our mark," she explained, meant fulfilling the expectations of the varied and complex social groups that lent their support to the Greens. Apart from the anti-nuclear and ecologist movement, women, immigrants and campaigners for a new world economic order were among those who placed their hope for the future in the Greens.

"We shall maintain our fundamental opposition on questions relating to life and survival; if we start compromising over them, we can give up," Ms. Kelly said. This means opposition to nuclear arms and nuclear energy, the fight for women's rights, an end to the principle of economic growth, job creation through a cut in working hours and a more equal relationship between the industrialized and the developing world. The Greens realize, however, that the obstacles are great in the face of a government committed to a defensive, economic and social policy opposed to the ideas of the anti-establishment forces they represent.

"In a way, it is a good thing that we are in the opposition," Ms. Kelly added. "It will give us time to give credible and concrete meaning to our political ideas."

She did not hesitate to criticize the three-year-old party for its shortcomings. "The self-determination and co-determination we are preaching for everyone, we are not realizing among ourselves," she said. This made itself felt particularly "in the absence of emancipated human relations between men and women in our party" and in attempts to turn the principle of grass-roots democracy into "too much intellectual discussion," Ms. Kelly added.

Most of the Green deputies have academic backgrounds. They include teachers, journalists, two professors, a former army general, and only one "real worker" — a bricklayer — and two former factory councillors.

There are clear signs that the establishment parties will do their best to obstruct the Greens in parliament. Remarks by deputies of the new party that they would

publicize information concerning missile sites, storage of nuclear arms or corruption scandals involving politicians, were interpreted as attempts to breach parliamentary secrecy, and led to talk in the conservative press of harrasing the greens from vital parliamentary committees.

"We shall abide by existing laws, but sometimes these laws are turned into an instrument of keeping vital information from the citizen — and that we shall not tolerate," said Otto Schily, a Green deputy and a former lawyer for leading Baader-Meinhof militants.

Mr. Schily said it was a "scandal" that political parties were illegally financed by the industry and that the activities of former Nazis in the intelligence services were shrouded in secrecy.

The Greens, however, had an unfortunate start to their attempt to expose former Nazis when they discovered that one of their members, 75-year-old Werner Vogel, had belonged to the S.A. stormtroopers and the Nazi party. As the oldest member of parliament, Mr. Vogel would have presided over the Bundestag's opening session, but decided not to take his seat following revelations in the press about his past.

Although the affair caused the Greens some embarrassment, Mr. Vogel's swift decision was welcomed by many as a refreshing approach to the problem of dealing with the past. Mr. Vogel had repented and learned from his past mistakes, the Greens said, but by resigning he wanted to set an example to all those who still held public office despite their Nazi backgrounds.

As a first step toward keeping their campaign promises, the Greens have asked for three new parliamentary committees to be set up — one to deal with the environment, one with women's matters and one with disarmament.

The Greens realize that the opposition Social Democrats — with whom they want to cooperate — can afford to be much more radical, and could overshadow the anti-nuclear party.

This has led them to define their future role as being one of acting both inside and outside parliament. "We shall bring non-violent resistance to parliament, but a lot of our opposition to the missiles will be outside parliament. We cannot avoid the risk of legal prosecution just because we are deputies," they said.

— ANNA TOMFORDE



A sculpture of Konrad Adenauer stands before the fence around the palace in Bonn where the federal republic's first chancellor gave formal receptions.

A Sunny Spot on the Rhine Nurtures Celebrated Wines

JOHANNISBERG — On a late winter day in the early ninth century, the Emperor Charlemagne, a great wine enthusiast, noticed from his palace on the left bank of the Rhine that the snow was melting earlier on a particular hill across the river. He ordered vines planted there. Today, that same vineyard produces some of the world's most celebrated and most expensive wines on an estate that in recent centuries has been known as Schloss Johannisberg.

The region, the Rheingau, has been a favorite of German wine connoisseurs for centuries. It is a wine region with both aristocracy and experience. The hilltops are crowned with three, four- and five-century old mansions from where wine-making barons look over their vineyards. One lower on the Schloss Vollrads dates to 1300, but the same family has been producing Schloss Vollrads wines since the 1100s.

For most of its 700-mile course, the Rhine flows from south to north. But just below Mainz, the Taunus mountains force the river westward for about 20 miles before resuming its northern course. The northern bank of this 20 mile stretch, rising in gradual hills toward the Taunus mountains, provides an excellent spot for vineyards on land that would normally have been too far north for good wine. Sunlight reflects off of the Rhine — half a mile wide at this point — and intensifies the southern exposure while the mountains behind the vineyards shield them from a cold north wind. On some of the higher vineyards, walls have been built for further protection.

The main produce of the southern slopes are the small, tightly clustered Riesling grapes, which account for 76 percent of the grapes in the Rheingau.

Riesling has a low yield — as low as two bunches on a vine — which can be increased by pruning, but only at the expense of quality. It is resistant to cold, but needs a long growing season to ripen well. It has an unusually high acidity level, which can make for a sharp, aggressive wine. But in the Rheingau, this acidity is balanced with natural sugar, producing a wine that can simultaneously give the impression of both dryness and sweetness.

German wines are divided into three quality classifications. Unlike the French, the German system requires reclassification of every vineyard every year. The lowest classification, table wine, is not produced in the Rheingau and if any is, it is sold off.

The next classification, Qualitätswein, is produced in the

Rheingau but in less quantity than the highest grouping, Qualitätswein mit Prädikat — or quality wine with category. There are five Prädikats depending on the amount of natural sugar in the must, the pressed grapes. Grape sugar — or glucose — produced by sunlight, turns to alcohol during fermentation. In northern wine this becomes the pivotal quality factor, and in the Rheingau a good year is a year in which the grapes have a high sugar density. Ideal weather made the 1982 harvest a potentially great year until the last moment, when a harvest-time rain increased the water content in the grapes and lowered their sugar density.

In other areas and with lower quality German wines, sugar can be added to the must to increase the alcohol content. German law does not permit this in wines with Prädikat, which means they can only be produced in a good vineyard or in a good year.

Admission to the next level of Prädikat wines, the next, Spätlese, was accidentally discovered at Schloss Johannisberg in 1775, when the messenger who gave the monks permission to start the harvest arrived late and the grapes were shivered and rotting on the vine. But it made the best wine they had ever produced.

What they had discovered is a phenomenon called noble rot — a particular degeneration of the grapes that only takes place under ideal fall weather conditions. In 1787, Schloss Johannisberg let it go further and created the first Auslese wine. Then vintners learned how to go even further in perfect years. Only selected bunches are used for Auslese, but beerenauslese, which means berry selection, only uses individually selected grapes. The highest Prädikat, trockenbeerenauslese, is made with as few as the two most perfectly shivered grapes out of every hundred.

With age, these sweet, perfumed, complex wines turn a brilliant deep, golden color that seems to give off its own light. The richness is the result of the high degree of concentration in the juice remaining in the shivered grapes. It takes 10 to 15 times as many of these raisins to make a bottle of trockenbeerenauslese as it does to make a normal wine.

Sometimes, late harvest grapes do not shrivel but are left on the vine until the first real freeze and then harvested, often in the snow, and crushed while frozen. Only the richest juice can be extracted from the frozen grapes, and the resulting wine, eiswein, combines an intensely sweet taste at the first moment with a secondary taste that is just as vividly acid.

— MARK J. KURLANSKY

Scientists Strive to Unlock Mysteries of a Beer's Head

(Continued from Page 7S)

Berlin to be judged. A panel of 10 to 20 VLB judges hold three or more tastings every day.

To be a beer taster requires unusual sensitivity to gradations of sweet and bitter. A simple test must be passed before qualifying to train as a taster. Water is mixed with minute amounts of quinine or sugar and the candidate must identify the tampered water.

Beer is tasted in dark brown glasses to avoid the tendency to be prejudiced by color. A light colored beer may give the impression of light taste or a darker one of more robust body, but, unlike wine, color has no real correlation to taste in beer.

Usually a beer is tasted against a second beer. Each taster has three glasses who can correctly identify the two glasses with the same beer are considered valid. Occasionally no one can and the two beers are judged to be identical.

The VLB and its equivalent at

the Munich Technical Institute have started judging beer on the German market and awarding gold or silver prizes that brewers are entitled to use on labels for two years. The commercial importance of this rating was recently underscored when a gold medal winner from a three-brewery town took out an advertisement congratulating the other two breweries on their silver medals while displaying its own higher award.

There are numerous criteria for judging beer starting with its smell and clarity and ending with laboratory tests. Tasters rate seven characteristics on a one-to-five scale: smell, purity of taste, intensity of bitterness, the hop flavor, the body — three and four are best, one being too weak and five too thick — and the taste of the carbonation.

Size in itself is not an enemy of quality but local distribution enables beer to stay fresh. A few large breweries with nationwide distribution have started pasteurizing their beer.

WEST GERMANY

Paris and Bonn: The Enduring 'Marriage of Reason'

By Dominique Moisi

PARIS — French-West German relations are often referred to as a marriage of reason. The analogy, though correct, does not reflect the emotional — some could say passionate — element beneath the surface of cool *raison d'état*. The weight of the past still permeates the present.

For the members of the European Community, relations between France and West Germany are a model and sometimes even a source of envy. The rapprochement between the two countries was, after World War II, the keystone to the reconstruction of Europe, and the success of the European Community in the last 30 years has been due largely to the progress of the economic, political and cultural relations between France and Germany. The two countries have become institutionally closer; their links have resisted changes of leadership and each other's shifts in domestic orientations. Out of will and political realism, but also for lack of a credible alternative — Italy seemed too weak and Britain decidedly too Atlanticist — those in charge in Paris and Bonn have always known that the evolution of their countries was intertwined. French and German public opinion are aware of this interdependence and follow with great interest political developments in the other country.

The recent speech by President François Mitterrand in the West German parliament on the occasion of the 20th-anniversary celebration of the Franco-German cooperation treaty, is a perfect symbol of the interdependence between the two countries. On the eve of the German elections, a Socialist French president was supporting without ambiguity the position taken by the Christian Democrats on the Euro-missile decision. The two countries may never have been closer diplomatically but — and this is the paradox of the 1980s — the respective evolution of their economies can only increase the potential for tensions.

When the Franco-German treaty of cooperation

"The two governments know too well that there is no alternative to their policy of close collaboration. The Franco-German couple will remain tense but stable. In the long run the only real Franco-German problem is the German problem."

was signed in 1963, and in spite of the friendship between Charles de Gaulle and Konrad Adenauer, the diplomatic options of the two countries were quite diverse. France was getting ready to leave the integrated military body of the North Atlantic Treaty Organization and hoped that Germany would choose its "French style" European way. The Germans at the time (but even today) were not willing to exchange an American nuclear guarantee for a French one and added to the 1963 treaty a preamble reaffirming their Atlantic allegiance.

In the late 1960s and early 1970s, Germany's *Ostpolitik*, though parallel to French *détente*, led to some competitive partnership between the two countries in their relations with the East. The evolution of the security system in Europe, the positions taken by the United States under Jimmy Carter and Ronald Reagan, have brought the diplomacies of Paris and Bonn closer together.

In the recent trans-Atlantic crises, France was no longer singled out by the Americans as the black sheep of the family, nor was Germany the trusted ally. The evolution of the balance of forces in Europe in favor of the Soviet Union has increased the European need for an American protection. But this protection seems much less secure than it used to be, and for many in Europe — and not only the pacifists — it looks more like a threat than a guarantee.

French and Germans also share a common vision of the way to deal with the East. They both reject President Reagan's policy of economic sanctions; they con-

sider the present U.S. view of the Soviet Union as a wicked power dangerous, and they believe that firmness does not exclude the pursuit of a comprehensive dialogue and economic exchange with the Soviet Union.

Even if the word is no longer used, "détente" must not be replaced by a new cold war. On major diplomatic issues such as Poland, Afghanistan, the pipeline crisis, or the Middle East, the French and the Germans are basically in agreement with each other.

But if there exist structural reasons for which Paris and Bonn are close, there are also structural factors that will always limit the possibilities for further rapprochement between them. Above all, there is a fragile balance of disequilibrium between the two countries. Germany is politically and, some would say, psychologically limited by its division and by the treaties that it signed and that prevent it from becoming a nuclear power. France is, economically, by far the weaker partner, and the comparative weakness of its economy has been aggravated with the process of time. The changing relation between the franc and the Deutsche mark translates this evolution — from 1.22 to 1962 to nearly 3 in 1983 — as does the growing French trade deficit with Germany.

This balance of disequilibrium has become more preoccupying in the last few months as each country's weaknesses seemed to grow. Each country, as though aware of the inner devil of the other, was trying to do its utmost to limit their political consequences. The French, aware excessively, maybe, of the fragility of

Germany and of the growing trend toward a new kind of German national neutralism, lend political support to the Bonn government. This explains, at least in part, French backing for the NATO implementation decision and the bringing to life of the security dimension of the Franco-German treaty, an evolution no longer resisted by the United States, as was the case in the 1960s. The Germans, fearing the return of France to protectionist reflexes, were also willing to lend support to the French economy and to its fragile currency.

But one may wonder if the two governments are either willing or able to fully translate into concrete actions their preoccupations with each other. To give a true content to Franco-German security cooperation, the French must be willing to reinforce their conventional forces. For a mixture of economic and domestic considerations they may not be able to follow such a path. Conversely, the Christian Democratic government now in power in Bonn, with conservative backing, may find it difficult to fully support a weakening French economy whose deficiencies they attribute to the failure of the socialist experiment.

Nor must one forget German economic nationalism, as demonstrated by the broken engagement between Thomson and Grundig.

The evolution of the economic situation may create further frictions between Paris and Bonn. It will not endanger the Franco-German "axis." The two governments know too well that there is no alternative to their policy of close collaboration. The Franco-German couple will remain tense but stable. In the long run the only real Franco-German problem is the German problem.

Dominique Moisi is associate director of the Institut Français de Relations Internationales and editor of its journal, *Politique Etrangère*.



Horst Glasker



Daniel Nagel

Art in the Eighties: A Taste for the Somber Side Runs Deeply in Themes

By David Galloway

WUPPERTAL — A taste for somberness remains deeply rooted in the German soul, as a grim companion to the soaring romanticism that irradiates some of the culture's most memorable achievements.

Thus far, the 1980s have encouraged the darker view of experience, and the media perform their autopsies with uncoincidental relish. Attacks on foreign workers, the threat of nuclear holocaust, industrial pollution, political scandal, escalating unemployment: The themes roll through the press with the punctuality of Prussian post coaches. Improbably enough, the art market remains one of the few healthy sectors in an eroded economy.

Savvy collectors have, within three years, doubled their money on home-grown talents like Elvira Bach and Salome, who were virtually unknown when the decade began. In comparison to the investment potential shown by Italy's *Arte Povera* movement or America's superstar Julian Schnabel, such capital gains seem modest. But they help underscore the amazing vitality of the current art scene.

Some of the art is brooding and aggressive, like the canvases of Anselm Kiefer; Georg Baselitz, another important pioneer of the German revival, literally stands the world on its head. When the two artists were presented at the Venice Biennale in 1980, they helped signal the revival of an emotional, spontaneous approach to painting.

It was the Italians — Falafino, Clemente and Sandro Chia — who spearheaded the movement, and their works first traveled to German museums in 1979. Younger Germans, most of them under 30, were working in a similar direction, but lacked a cohesive group identity until Wolfgang Becker christened them *Die Neue Wilden* for a group show at Aachen's Neue Galerie in 1980. The label stuck, and the contemporary Faves, the "Wild Ones," were launched.

Even tried-and-true champions of the avant-garde were likely to charge that the gallery gristmill simply needed fresh corn. Fingers were wagged in the direction of Cologne's Paul Maenz for grossly manipulating the market. But years before the vogue was launched, Maenz had doggedly exhibited the young Italians and lent generous support to the wildest of the wild — six Cologne artists who dub themselves *Mulheimer Fröhheit*. The gallery itself remains happily bewildered by their vertical takeoff but holds firm in his belief that their free-style spirit has already set a cultural milestone squarely in place.

The term *Neue Wilden* is also misleading in the breadth with which it is used — to describe any broadly gestural, colorful, subjective art. Such sloppiness recalls that heady yesteryear when such diverse figures as Rosenquist and Hockney, Lichtenstein and Johns, were paraded under the collective banner of Pop Art. Meanwhile, the current vogue enjoyed by Peter Andermann, Rainer Fetting and A.R. Penck obscures the fact that there is an entire host of accomplished younger artists who breathe the same energizing air, but whose prices have not been inflated be-

yond the reach of the more modest collector. Among the noteworthy:

• Peter Reichenberger, 37, creates rhythmic, finely modulated works formed from the prints of his own hands. The first consisted of thumbprints laid down in serial patterns, with each new color lightly overlapping the last. Those subtle abstractions have yielded to more vigorous, spontaneous compositions for which the artist covers forearm and hand with paint and, in a series of chopping motions, spreads fans of vivid color across the canvas. The direct transcription of body rhythms communicates a sense of energy that might stand as a symbol of the new painting. Reichenberger's works sell from \$375 to \$4,000; he can be reached at the Wachsfabrik, Industrie Strasse 170, Cologne.

• Isolde Wawrin, 34, has experimented more directly with body-painting as part of a compelling interest in primitive ritual. She enjoys citing Emerson's faith that the American Indian offered a possible renewal for Western civilization, and herself seeks that renewal by focusing on the elemental drive that motivated prehistoric artists. Her experimental works have involved earth and grass and the construction of primitive shelters. Today she laminates sheets of wrapping paper, sometimes forming them into totem-like shapes, and in rich, weathered colors, overpaints them in her own private hieroglyphs. Still and mysterious, they often resemble fragments rescued from a prehistoric cave or some forgotten tribal shrine. The works sell from \$500 to \$1,500 at the Konrad Fischer Gallery, Andreas Strasse 25, Düsseldorf.

• Eva-Maria Schon, 34, is currently preparing an installation for the Hamburg Kunstverein. Sixteen artists will be given rooms throughout the city — in hotels, factories, apartment houses — to create a linked series of solo exhibitions. The concept is ideally suited to the three-dimensional effects the artist achieves with one-dimensional material. Large brush strokes are laid down in simple configurations, repeated with slight variations on large sheets or bands of paper. Eva-Maria Schon often uses them to wrap entire rooms or drape scaffolding to form processional avenues through which the viewer experiences the total composition in constantly shifting perspectives. The works sell for \$250 to \$2,000, and can be seen at the artist's atelier, Bundesplatz 2, Berlin.

• Munich-born Daniel Nagel, 32, first attracted critical attention with larger-than-life canvases that resembled art-history collages. Familiar images from Gauguin, Picasso and Warhol jostled for attention, creating the feeling of a compressed museum with assorted canisters of paint against the wall. Quotation has disappeared from the new pictures, but they continue to show the assertive painterly technique, the subtle economy of means, with which he set his stamp on the familiar images of his predecessors. Nagel's paintings range from \$2,000 to \$4,000 at the Friedrich-Knust Gallery, Maximilian Strasse 15, Munich.

• Like many of his contemporaries, 36-year-old Horst Glasker has strong ties to the world of rock.

Isolde Wawrin once made a career as a singer and Salome still performs with his own band. A former professional saxophonist, Glasker today builds Rubie Goldberg-style organs that quack and quake like

animated sculptures. A series of museum exhibitions has made him well-known for powerfully lyric works that result when he densely overpaints wallpaper and machine-made oriental rugs. Recently, he

has begun to inscribe mythological drawings into the wet surface, often using motifs derived from Egyptian art. Painted cut-outs of birds have also joined the inventive repertory, completing a fantasy

landscape that pulses with color, wit and bravado. Glasker's paintings, drawings and objects are priced from \$100 to \$4,000, at the artist's atelier, Furstenwall 210, Düsseldorf.

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Financial Highlights	DM million	1981	1982*
December 31			
Business Volume	61,980	64,638	
Balance sheet total	59,063	62,271	
Total credit volume	48,986	49,929	
Short-term assets	15,513	16,707	
Due from banks	9,200	9,668	
Due from customers	6,313	7,039	
Long-term lending	27,865	28,252	
Lending to banks	4,517	4,192	
Lending to customers	23,348	24,060	
Short-term liabilities	16,573	18,593	
Long-term liabilities	6,626	5,459	
Bonds issued	23,747	24,894	
Capital and reserves	1,196	1,241	

*preliminary figures

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WEST GERMANY

Electronics Industry Faces Up to Challenge In International Market

By Clive Freeman

BERLIN — In recent months, uncertainty over the future of such big concerns as AEG-Telefunken and Grundig has plunged the West German electronics industry into gloom.

Shaken by upheavals and the accompanying publicity, the industry has been unable to focus on its real task of meeting the challenge of the United States and Japan on world markets.

Although some experts are pessimistic about the industry's future, there are some glimmers of hope. At top government levels and among industry pace-setters, there has been growing agreement in recent years over the kind of action needed to make the industry more competitive at the highest levels.

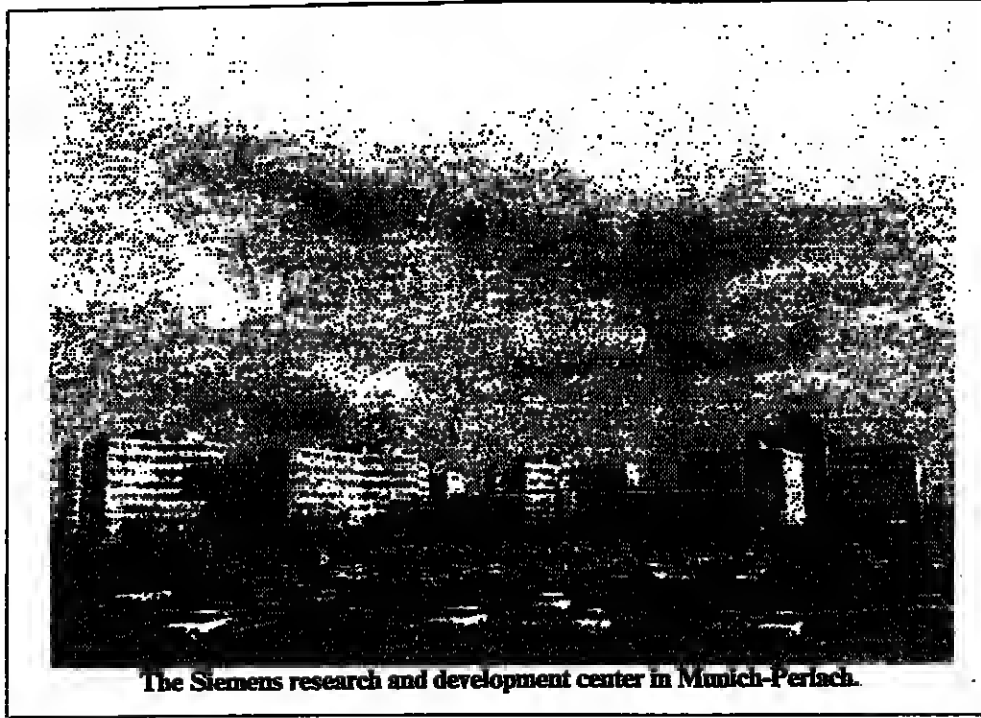
The pressing need to match the United States and Japan in product development and effective marketing is only one aspect of the issue. Another is to achieve closer collaboration between Europe's

electronic technology companies to alleviate the trade threat from the Far East and the United States.

A third necessity is to make sure that people with acumen and energy are able to specialize in research and development, because this is a vital sector where money alone does not guarantee breakthroughs.

In the West German home electronics sector, firms have invested vast sums of money in new technologies and promotion during the last two or three years. But by the end of 1982, warehouses were still full of unsold color television, video recorder and hi-fi sets. High interest rates and the stereo color television sets more expensive than the traditional ones meant that a lot of money was tied up by the surplus.

Production capacity for home electronics equipment was large throughout the world, but demand did not rise as fast as the industry had hoped. Even declining prices failed to lure buyers back. Until Christmas 1981, video sales were



The Siemens research and development center in Munich-Perlach.

booming and retail margins were adequate, but as a result of the huge Japanese production, a price war began in 1982 and dealers slashed as much as 1,000 Deutsche marks or more off the cost of their sets.

West German electronics manufacturers have begun to realize that to stand a chance in world markets they have to come up with new technologies that will sell even in a saturated market. As a result, increasing attention is being paid to developments as digital technology, microcomputers and other forms of microelectronics, as well as to new generations of so-called super-computers and new communication systems.

Siemens, one of the world's leading electronics companies, fared relatively well in 1982, given the effects of worldwide recession. It earned 43.1 billion DM worth of orders last year — a 4-percent increase over 1981. But as its 1982 annual report revealed, the transition to electronic technologies resulted in a 4-percent cutback in its work force last year. Siemens now employs 324,000 people, against 338,000 in 1981.

Siemens spends about 10 percent of its world sales — more than 3 billion DM in 1979-1980 — on research and development, and currently says that it has 30,000 staff members tied up in this sector.

"Microelectronics, data processing and optoelectronics are opening the way to a substantial increase in transmission and switching capacities," a company spokesman said. "The large-scale integrated circuits used in data

communication systems are also stimulating further development of the telecommunication network."

About 60 percent of Siemens products are less than 5 years old, and the company says that, among its integrated circuits, the proportion of "young products" exceeds 80 percent.

In telecommunications — another increasingly important field — Siemens appears to have made a successful switch from analogue to digital technology. Simultaneously, the company has pared down less profitable product lines and increased efficiency on others.

Siemens can expect a further flow of orders when, in the next 18 months, work begins on converting the entire West German telephone cable network to optical fiber. Several companies remain in the running for major orders from the Bundespost. Already 10 different pilot projects — under the code-name Bigfun — have been mounted in Berlin, Düsseldorf, Hamburg, Hannover, Munich, Nuremberg and Stuttgart. By 1986, Siemens, AEG, Telefunken, Fuba, Krone and Sd will be graded for the performance of their respective integrated networks. With the Bundespost reportedly planning to invest as much as 100 billion DM in optical cables and other technology during the next 20 years, many companies are eager to earn a share.

Private companies specializing in high technology are rare in West Germany. A notable exception is Nixdorf Computer in Paderborn, which through the shrewd leadership of its boss, 57-year-old Heinz Nixdorf, has built up a flourishing

company with sales of 2 billion DM a year. Today, the firm that Mr. Nixdorf launched in 1952 as a humble supplier of electronic calculating equipment has an estimated one-fifth of the market for small- and medium-size computer systems in West Germany, and 7 percent in the six other major European countries.

Mr. Nixdorf has demonstrated that, if necessary, he is not afraid to pit his company against the more powerful electronics and telecommunications concerns operating around the world. In size, the Nixdorf company is tiny compared to a firm like Siemens, for example, and has a worldwide work force of only 15,000. But it competes with the biggest when it comes to winning orders in the intensely competitive electronics sector.

The turbulence created last summer by the financial collapse and court proceedings against AEG-Telefunken is still being felt in the West German electronics industry.

The news in March that the state-owned French firm Thomson-Brandt was to gain control of Telefunken, the AEG subsidiary, after losing its battle to buy a 75.5-percent stake in Grundig was received with mixed feelings in business circles. The deal has the approval of the West German cartel office, and is expected to provide welcome financial relief for AEG, the troubled parent company, which Telefunken has been draining financially.

Currently, Telefunken's German employees number 3,500, and it is not yet clear whether some of them will be laid off under the Thomson-Brandt management.

The latest development leaves open the long-term future of Grundig, which in recent years was Germany's dominant consumer electronics concern. The collapse of its merger plans means that Grundig will sooner or later have to find another partner, and its options are limited. Philips, the Dutch electrical giant, already has a 24.5-percent equity in the company, and it would not come as a surprise to the industry if it now moved to increase its holdings.

While uncertainty remains, a strong counter-bid against the Japanese and U.S. home electronics manufacturers is not going to come from within Europe, and certainly not from West Germany. Even at the European Community level, any plans for achieving closer collaboration between European electronics companies — even of forming a block powerful enough to match the Japanese and U.S. opposition — still seem a long way off.

A token effort was made last year when the EC launched a new project named Esprit, with 25 million DM in support funds, aiming to bring about a sensible collaboration in electronics research and development. Backed by a dozen leading European electronics manufacturers including Siemens, one of Esprit's ultimate goals is the creation of a think-tank body that can coordinate national policies on matters such as the development of the new wave of super computers.

But the outlook for some West German electronics manufacturers is not very promising. Survival for many of them will depend on just how well they adapt and tune themselves to the changing needs of the market. If the necessary investments required for high technology projects are to come about, joint efforts by companies and the government will be needed in the long term.

Isolation Nourishes Berlin's Vitality

The inability to survive autonomously has elevated Berlin to favorite-son status. The city's tolerance, dictated by its role, has turned it into a cultural metropolis of Europe, into a Western think tank. Its location and its survival have become a bond between a divided Germany.

By Uli Schmetsch

BERLIN — The beach sands for the Wansee are brought in from the ocean on barges. West Berliners swim there all summer in search of a seashore that was a free vacation on the Baltic coast.

During the winter, tens of thousands ski and toboggan down the Teufelsberg, the mountain near Spandau, built with part of the rubble from the 48,000 buildings destroyed by Allied bombing during World War II, a time old Berliners remember as "our Sodom and Gomorrah."

Down by the canal at Kreuzberg, known as the Turkish ghetto, the sign on the bank explains in German and Turkish that there is "Mortal danger." This is under control of the East sector. "Nearby, a slogan on a wall demands 'Turks out.' It is difficult to say which discrimination is worse.

On the other side of the murky canal runs the 100-mile wall, with its 250 watchtowers, death strips and barbed wire that encircles the western part of the city and divide East from West Berlin.

Children play hide and seek behind the crosses that mark the spots where the bullets of East German guards ended forever the aspiration of someone who tried to cross the wall to the West.

But West Berlin is a city of contrasts, a city that has learned to ignore its past and enjoy the abundance life offers today. During the Soviet postwar blockade, each sack of coal, each potato, each bottle of milk had to be rationed into the severed city. Candles replaced electricity.

Today, supplies pass into the enclave along guarded East German transit routes, four highways, a railway line and a system of waterways. On the top floor of the Kaufhaus des Westens a gourmet can stroll through the choicest selection of food in the world — from frog's legs in beer sauce to Senegalese carp, Australian shark fins and Mediterranean shellfish.

The lean years are ghosts of the past. So are the candles. West Berlin now has seven power stations and by the mid-eighties it expects to be linked to a Soviet pipeline carrying natural gas.

Even the East has learned that West Berlin is an indelible reality. And Berlin never sleeps. In the intimate bars and restaurants around the Kurfürstendamm, swash in neon light, campus professors, students, actors, musicians, workers and prostitutes mingle in boozing bliss, joined by the common desire to seek solidarity in the encircled city, a desire that defies any class system.

On the sidewalk, mustachioed Turks, wearing high-heeled shoes and saturnine faces, shepherd along women shrouded in scarves and drab ankle-length dresses. Here too East meets West.

The bars are crowded with long-haired young men, dropouts and the relics of the flower-child era. They live in communes, they squat in old houses, they cannibalize old cars to rebuild their own, they play jazz, rock and new wave, put on theater and run alternative food shops, some on state grants, others on the dole, some simply to escape conscription in the federal republic. For all of them West Berlin is a haven of freedom and of tolerance.

In a way they provide an injection of young blood for a city half of whose two million people are old-age pensioners," said Fred Riedel, a lecturer at Berlin's Free University.

If the city's suicide rate is unusually high, the experts blame it on *bulenangst*, claustrophobia, and the fact that half the city's apartments are occupied by single persons, mainly lonely pensioners.

To escape their "island," Berliners drive three hours at weekends on hostile transit routes to spend a few hours in gardens they bought in the federal republic — unless they own one of the gardenhouses — cynically known as "dachas" — in the city's vast green belt.

A thorn in the flank of the Soviet bloc, West Berlin is vulnerable to the slightest barometric pressure in

East-West relations. Yet, this weakness has become the city's strength. The inability to survive autonomously has elevated Berlin to favorite-son status. The city's tolerance, dictated by its role, has turned it into a cultural metropolis of Europe, into a Western think tank. Its location and its survival have become a bond between a divided Germany.

West Berlin today boasts 41 theaters and hundreds of cinemas. It plays host to more than 100 alternative groups and subcultures. Ninety-thousand students study at its two universities. There are 180 research and development institutes with staffs totaling 40,000, half of them academics and scientists. It pays grants to 5,000 artists and this year will be host to 68 trade fairs and conventions.

Artificially nourished by the federal republic — which pays more than half the city's budget — West Berlin enjoys tax cuts between ranging from 3 to 10 percent for industry, cuts that not only benefit the Berlin manufacturer but also the West German buyer of Berlin goods.

Today every eighth Berliner is a foreigner. Among them are 132,000 Turks, 32,000 Yugoslavs, 7,000 Italians and 8,000 Poles, two-thirds of whom fled to West Berlin after the military takeover in their country.

Heinrich Lummer, the city's senator for security and vice-mayor, sits near the top of the moody political barometer. A pragmatic, not pragmatic man, he sees his city increasingly as "a dumping ground" for political exiles left at his doorstep by the authorities in the East and dropouts from the West-who see the city as a haven of free expression.

"We have no chance to turn back anyone who wants political asylum," Mr. Lummer said. "We have no control."

And the man who runs West Berlin's internal security on a tight rein dreams of the day when the four occupying powers will turn the city over to his own police force.

"We don't want either East or West control," he said. "We want a truly free city," he said.

Though Mr. Lummer hastens to add that cooperation with the Allies in his sector is good he does recount, not without a tinge of rancor, the story of the American commander who decided to ask for permission to build a new settlement for his soldiers in the Green Zone. The project instantly incurred the wrath of local environmentalists. Bugged down by the protests and Berlin bureaucracy the American commander simply went ahead and built it, an action that prompted a local action group to take him to court in Washington.

"They lost the case," Mr. Lummer said dryly.

There are people, including millions of visitors each year, who take advantage of the subsidies and tax breaks. This year alone 68 fairs and conventions are scheduled, most of them at the ICC, the city's futuristic fair center, a rhapsodic colosseum that might have been designed for a science-fiction movie.

West Berlin has many similar modern wonders. It has no Renaissance facades or ancient monuments, no medieval history. It is a city of our times where the past and future are elbowed aside by the present, where from the ruins of yesterday rise the showpieces of today, where culture and religion roam freely, convinced there will always be a tomorrow.

Maybe it is this optimism that made West Berlin so magnetic to outsiders.

For the old Berliners, though, who saw the city become the European Hollywood of the 1920s, the Swastika capital of the thirties, razed in the forties and rebuilt in the fifties and sixties, there is always a time to take it easy and a time to roll up your sleeves.

"I was born here and I will die here," said Mr. Else Knof, a sprightly woman of uncertain age, no matter what flag they hang on the Brandenburg gate.

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International Herald Tribune, 12-13, February 1983.

WEST GERMANY

West Berlin Continues to Lead In Research and Development

BERLIN — When Otto Hahn and his Jewish assistant, Lisa Meitner, split the first atom in Berlin during the Nazi regime, they suppressed their discovery from the authorities but established Berlin as a leading city in the field of science, a feature that it still maintains.

Today, the Hahn-Meitner Institute for Nuclear Research, founded in 1957, is a pillar among the brain trusts of West Berlin.

The enclave on the Spree River shelters 180 research and development institutes, which employ a total of 40,000 people, half of them scientists.

Last year, the federal government and the city spent \$110 million on development grants alone, and \$180 million — or 11 percent of the city's budget — on financial aid for scientific research centers.

Still, transforming West Berlin into the country's leading think-tank has cost West Germany just under \$1 billion, although it has added life to the divided city of 2 million inhabitants, half of them old-age pensioners.

"Academics say the investment has created a kind of researchers' paradise. West German and international researchers are lured to the walled-in city not only by relatively liberal grants but also by the knowledge that thousands of colleagues, most of them prominent figures in their respective fields, are also here to provide a stimulant for exchanging ideas."

The city knows how to treat its guests. Money is available not just for pet projects but for accommodations and administrative services. Two universities with a total of 90,000 students provide recruits and assistance. A rich cultural program, with opera, concerts and theaters and various subcultures have converted West Berlin into a city that sharpens the wit and is conducive to experiment.

City officials, however, are sensitive to criticism that their guests produce results that are not always applicable to an industry that often has to pay the bill for their research.

"Our main aim now is to support more projects whose research and development can be used in industry," said Reinhard Baumgarten, in charge of research, technique and innovation at the Department of Economics and Transport.

"And in order to stimulate medium- and small firms to conduct their own research projects, the city of West Berlin has virtually become a bank, contributing as much as 50 percent to research by concerns that would find it impossible to obtain loans from traditional, security-minded banks."

"I think West Berlin is unique in this field," said Dr. Baumgarten. He added that if the results of state-financed research became commercialized, the city would want its money back. Still, the loans are made on a nonprofit basis.

Berlin was the first West German city to import the American idea of venture capital. That means the city will grant money to form their own companies, to teams of graduates or experts who intend to commercially develop an idea. Each application is carefully screened, and the city can become a financial partner in the ventures it approves and share eventual profits.

One such project is currently trying to develop a water-based solvent for oil.

During the past six months, the city's "innovations squad" has convinced 20 medium-sized companies to employ graduate students on a one-year basis to see

what suggestions they come up with to modernize their firms, with the city paying 40 percent of the graduates' wages during this period.

The aim is to update small companies using ancient methods and equipment, and to find jobs for people just out of university. The project so far has been successful, with 17 out of 20 graduates offered permanent work contracts.

Similar initiatives are common in this city, which, despite the high cost, appears determined to become a leading European center for academic and scientific research.

One of West Berlin's most prestigious addresses is the plush Villa Grunewald at Wallotstrasse, 19-21 — the Institute of Advanced Study, where scientists from around the world are invited for a year with all expenses paid to conduct research into their pet projects.

With its dining rooms, individual offices and apartments, a vast reference library and a typing pool, the college is like a second home to the researchers.

There are 30 participants this year, and the institute plans to invite 40 next year.

Another such center is the Fraunhofer Institute, considered one of the world's leading researchers in robot technology and which recently developed robots capable of delicate welding work on motorcycle bodies.

Equally prominent are the work on molecular genetics at the Max Planck Institute, on natural science projects at the Fritz Haber Institute, on nuclear forces at the Hahn-Meitner Institute and the glass-fiber communications cables developed at the Heinrich Hertz Institute.

Many West Berlin research projects are helped by "Bessy," short for Berlin electro-storage ring for synchrotron radiation, and symbolized by a cow.

Synchrotron radiation occurs when electrons passing through electromagnetic fields at very high speeds are diverted from their paths into a circular route, producing infrared and ultraviolet light.

As important an innovation as the laser beam was, synchrotron radiation is used here by researchers for projects in chemistry, medicine, physics, meteorology and microelectronics. The researchers bring their apparatus to "Bessy" and work at one of her "udders" — steel pipes that carry the stored energy.

The variety of the research and the number of institutes constantly attract newcomers to Berlin. Boston's Massachusetts Institute of Technology has launched a technical cooperation program with Berlin Technical University to research microelectronics and micro-biology projects.

West Germany's Schering A.G., a pioneer in microbiology, has signed a \$30-million agreement with the city of Berlin as partner on a 50-50 basis to build a research institute for biochemistry, microbiology and molecular genetics.

Professor Wilhelm A. Kewenig, West Berlin senator for science and culture and a former university president, says that Berlin today has the greatest potential for research of any German city. But he points out that although there are now five times as many projects as there were a decade ago, "we are looking for quality not just quantity."

— ULI SCHMETZER



Bad Nauheim: Bathhouse and fountain of water used in baths.

Bad Times Arrive at Once-Crowded Spas

By Leslie de Quillacq

BAD NAUHEIM — The glorious *baths* (baths) of West Germany now depend for their survival on the hot pool. And even their patronage is dropping off as social security repayments for a visit dwindle.

Once these baths were refuges for the rich and mighty who came to politicize, hobnob and gamble, as much as to take a cure for their ills. Today, West Germany has about 200 baths as a legacy of this era — baths as little known as Bad Windsheim in Franconia, which started out in 1902, and baths as famous as Bad Nauheim, which was in full swing by then. Each bath specialized in specific maladies. Bad Nauheim was a center for heart ailments. Bad Windsheim specialized in rheumatoid and arthritis afflictions. Then, a course of treatment lasted at least a month and often longer.

Those days are over. Most clients at the baths now are salaried workers who come for the modern health treatments that often have little to do with the particular qualities of the local water. The medical treatment at the baths has changed as radically as the clientele.

Because at one time the medical community, along with everyone else, believed that certain waters had miraculous healing qualities, doctors set up their practices alongside these water sources. Now, although belief in the curative powers of the waters has waned, the congregation of medical talent around the baths remains. Little Bad Windsheim has a state sanatorium that treats the town's traditional diseases, rheumatism and arthritis, while Bad Nauheim now has 16 sanatoria and clinics, most state-owned, whose specialties include diabetes and asthma, but which still concentrate on the heart problems that always have been the town's specialty.

The well-known William G. Kerckhoff Institute of Bad Nauheim, now a part of the Max Planck research group, does research on the regeneration and degeneration of the heart and its blood supply, while the nearby Kerckhoff Clinic does diagnostic work on heart diseases. Patients at the clinics are treated and lodged entirely within the clinic and do not use the central bathhouses.

But it is not just treatment at these clinics that has followed the evolution of medicine. So too has

treatment at the bathhouses, which in Bad Nauheim are art nouveau masterpieces owned by the State of Hessen and in Bad Windsheim 1960's replacements owned by the municipality. Clients or patients no longer go to the baths just to settle down in the water, take a drink or breathe a little steam. Therapy at the baths now is serious business.

Dr. Uwe Kleen, at Bad Windsheim's bathhouse, is an internist who works afternoons at the local hospital. Dr. Kleen said that drinking the waters will not have much effect on a sick liver or kidney, but he does believe that the physical therapy at the bathhouses, which includes hot salt packs, massage and exercise in warm salty water, does help rehabilitate people suffering from joint articulation problems. Dr. Martin Schlepper, head of Bad Nauheim's Kerckhoff Clinic, dismisses any lasting effects from the touted CO₂ in the water. Indeed, CO₂ does expand the arteries so that blood circulation is achieved with less effort than under normal conditions, he said. But the question is how long does it last, and that, he said, seems to be only as long as you are in the bath.

The federal government's decision in January 1982 to cut back on state-paid medical benefits sharply affected the fortunes of the bathhouses, clinics and the towns surrounding them. Two state funds pay for treatment at the baths. One is the pension fund, which has an interest in seeing that people work as long as possible, and the other is the health insurance fund, which reimburses part of a stay at the baths.

Until 1982 the pension fund would send people to clinics at the baths for preventive treatment as well as for treatment of already incapacitating diseases. Now, in an effort to save money, the government has stopped preventive treatment, so fewer people are going to the clinics. Many of the clinics are private ones built specifically to receive these patients. The private clinic patients have nothing to do with the bathhouses, being lodged and treated at the clinic, but they indirectly support the bathhouses.

Bad Nauheim has managed to make out better than some of the other baths because most of the clinics in town are owned by the pension fund and therefore are filled before the private clinics.

Agriculture: Farmers Succeed in Maintaining Traditional Way of Life

BONN — In a country with a population as dense as West Germany's — 248 inhabitants per square kilometer — farmers must either adapt or disappear.

Attached to their traditions and their way of life, West German farmers have had to organize and defend themselves to become not only privileged West Germans, but also privileged Europeans. The basic aim of their professional association, the Deutscher Bauernverband (DBV), is to preserve family farming.

In 1945, 3.6 million West German farmers accounted for 24 percent of the active population. Today, their number is down to 940,000. Half of them are part-time farmers. Working mornings in neighboring factories, they till their land in the afternoons.

In all, West German farmers account for 2.3 percent of the gross national product, and 5.3 percent of the active population. Still, the massive rural exodus that has marked leading Western European nations has been checked in West Germany. The people who now give up farming do so because they are too old.

Part-time farming resulted from a number of necessities. Faced by major concentrations of the population in urban centers, West German planners wanted to keep the population on as even a level as possible throughout their national territory. Another necessity was to maintain agricultural activity in one of the world's most industrialized countries. Factories were built in the countryside, allowing the rural populations to stay where they were.

The DBV sees many advantages in the system. At its Bonn headquarters, experts said that today one worker out of 10 was out of a job in West Germany — a total of 2.5 million unemployed. But a farmer fired from his factory job, they said, was not unemployed because he could continue to work on his land.

The system's efficiency has been proven. The cereal and livestock production of West German farmers is one of the highest in Europe. Mechanization is greatly advanced. The country's pork breeding techniques are the most developed in Europe, although it still imports pork from Denmark, Belgium and Eastern European countries.

And West Germany, a model of industrialization, exports agricultural products. German farm produce sold abroad totaled 23.5 billion Deutsche marks in 1981-82, up 2.4 percent from the previous year, according to the Green Report, the Federal Agricultural Ministry's annual report on farming. To France alone, West Germany sold 2.24 billion DM worth of agricultural products — including cheeses.

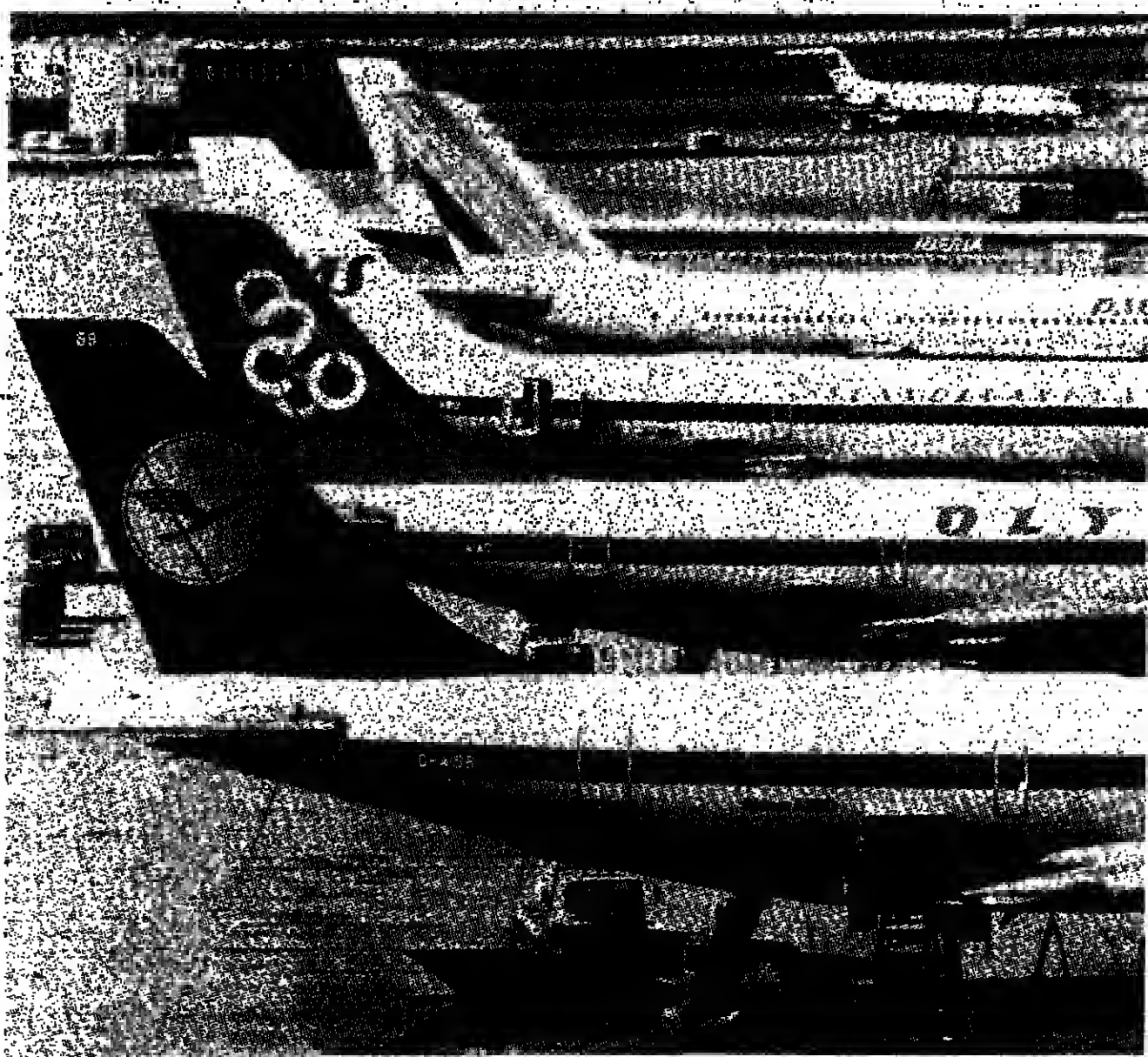
German farmers owe much of their success during the past decade to Josef Ertl, agricultural minister from 1969 until the recent elections. Mr. Ertl, who has a reputation for defending West German farmers' interests at the European Community in Brussels, said long ago that he planned to give up his portfolio after the 1984 general elections. But the election was held before schedule last March 6, and Mr. Ertl, 58, had to change his plans. He since has been named president of the Deutsche Landwirtschafts-Gesellschaft (DLG), the West German state agriculture company.

Due to Mr. Ertl's efforts and the firmness of the mark, West German farmers have gained advantages, mainly within the EC. As a result, the Monetary Compensation Mechanism (MCM) has become a point of discord between the French and the West Germans. The mechanism creates an artificial price system in Europe by keeping agricultural goods outside world market fluctuations, and the MCM is calculated according to the parity of different currencies.

In the cities, demand is growing for "alternative" foods, and criticism of farm production and organization was one of the Greens' major campaign issues.

But, back in his village, the farmer is considered a simple, honest person. His wealth is nothing exceptional by German standards. For the first time since 1978-79, the Green Report showed an increase for 1981-1982 in farming revenues, up to 22,890 marks per capita for the year. This was 7.7 percent higher than the previous year, mainly due to a good harvest, but less than the record 25,283 marks of 1975-1976. The Green Report predicted that the 1982-1983 figure would be 24,700 marks. West Germany's agriculture budget has dropped by 10.1 percent in the same period.

— JEAN-LOUIS PREVOST



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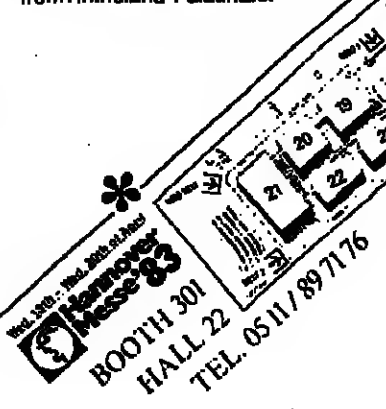
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WEST GERMANY

Foreign Workers Now Play Key Role in Economy

By Gabrielle Grenz

BONN — There are 4.67 million foreigners — 1.6 million of them Turks — living in West Germany, where they account for 7.5 percent of the population.

Although the number of arriving foreigners appears to have stabilized, the presence of a large foreign community in a country with 2.5 million unemployed remains a major problem.

"Send them back home and give their jobs to unemployed Germans," was an argument heard during debates in the recent electoral campaign.

But a massive expulsion of the Gastarbeiter, or guest workers — Turkish, Yugoslav, Italian, Greek, Spanish and Portuguese immigrant workers — probably would not help and apparently would aggravate the country's economic situation.

West Germany can no longer survive without its foreign workers, as a recent study by the Zentrale Fuer Politische Bildung (The Political Education Center) showed: One miner out of four is a foreigner in West Germany, as are 35 per-

cent of specialized workers in the car industry and one general practitioner out of seven in the country's hospitals.

Statistics show that 21.9 percent of the immigrants work in the metallurgy industry — mostly in welding, the most difficult job — 22.1 percent in the hotel and restaurant business, 19.5 percent in the textile industry and 16 percent in civil engineering.

To warn against possible "mounting racism in West Germany, based on prejudices and a profound ignorance of the importance of foreign workers to the national economy," the center devised an apocalyptic scenario: "If all 4.67 million foreigners left West Germany overnight," the center wrote, "there would be total chaos. West Berlin would lose 12 percent of its population, Bad-Wuerttemberg 10 percent, Northern Rhineland 8 percent. Railway traffic would be paralyzed on all major lines and the West German railway company, Deutsche Bundesbahn, would lose 16,700 of its 342,000 employees.

"Power would fall because coal production would fall by 30 percent. In the Ford car plants, and at

Volkswagen, the cars would come off the production lines only half-completed.

"In schools, half of the students would be absent in some elementary classes, and total panic would reign in hotels and restaurants, because there no longer would be Conchita to make the beds and Carlos to make the pizzas."

This imaginary scenario is unlikely to happen, because nearly 45 percent of the immigrant workers have no intention of returning home. There are, however, serious problems in integrating foreigners who opt to stay into German society.

In his first official declaration as chancellor, Helmut Kohl called for "a humane immigration policy." This should be based, he said, on the social integration of foreigners living in West Germany, a limitation of new arrivals, and the encouragement of those who want to go back home to do so.

When he came to power late last year, Chancellor Kohl formed a special committee to submit a report defining this policy. The committee — made up of representatives from the federal Ministries of

the Interior, Labor and Education, and from the states and communes that make up the country — presented its 200-page report five months later, on March 2.

The report said that priority should be given to ensuring the integration in West German society of workers who want to remain in the country. It also suggested that a 1973-ban on hiring foreign workers be maintained, and that the government encourage foreigners to return to their respective countries — but not force them to do so.

Nevertheless, the committee suggested more restrictive measures, including proposed amendments adding new limitations to the existing law on the reunification of families, a stricter control of illegal immigration and a firmer stand against extremist groups made up of foreigners. Recent official statistics showed that nearly 122,000 foreigners belonged to extremist groups established in the country.

On the integration issue, the committee suggested that a number of criteria be imposed before foreigners are given permanent residence permits. These would include:

- Proper living conditions, particularly lodgings big enough for the whole family.
- A guaranteed income, such as a work contract or a similar document.
- Fluency in German.
- The education of school-age children and their registration in schools.
- The receipt of no extradition requests for the person seeking permanent resident status during the two years prior to his application.

Last year, the former Social Democrat-Liberal coalition of Helmut Schmidt insisted on reinforcing legislation aimed at protecting immigrant workers.

The idea was to prevent a foreigner who had spent years working in West Germany from being sent back home simply for being involved in a car accident or a similar minor incident.

Today, only one-third of all foreigners coming from outside the European Community and aged over 16 have permanent residence permits. The reason for this is believed to be either lack of interest or knowledge, or the fear of not being able to live up to the required standards — particularly the clause on lodgings. Most immigrant families live crowded into cheap, tiny apartments.

The reunification of families is the question that generates heated debates among political parties and is an issue on which the committee failed to come up with a solution.

The Christian Democrats would like to ban foreign parents from bringing children over six to West Germany. They argue that past this age, children cannot become an integral part of society, and later will have trouble finding employment.

Both the opposition and the Liberals believe this view violates human rights, because it gives workers the right to work for West Germany, but not to live with their families. They suggest that the present legislation, which allows children up to 16 years of age to join their parents in the country, be maintained.

But political parties are unanimous in their determination to fight against illegal immigration. Since last December, every citizen from a non-EC country must have a visa if he or she wants to stay in West Germany for more than three months or to hold a salaried job.

"This is a rule whose benefits have already been observed, and which could further be reinforced," the committee report said. It added that further consultations could be held on the issue with Germany's nine other EC partners and its other Western neighbors — Switzerland and Austria.

Integration also is at the center of another thorny issue: the schooling of immigrant children. When schools in West Berlin opened last September, one student out of three was a Turk — there are 569,000 Turks under the age of 16 in West Germany — and one out of seven students in Rhineland was a foreigner.

In 10 years, the number of foreign students increased from 159,000 to 650,000 with 38 percent of them Moslems.

German parents complain of a drop in the quality of education, teachers demand specialization and the creation of thousands of new jobs, and foreign students feel isolated. Nearly 60 percent of the non-German students abandon their studies before they get a diploma, as compared to only 10 percent among the West Germans.

To prevent them from being lost, especially if they want to return to their own countries, immigrant children go to what are known as "national classes" in Turkish or in Arabic, organized by the West German authorities.

Religious schools, where the Koran is taught, also flourish. They demand an additional effort on the part of immigrant children who can attend only after their regular classes.



These three teams make 70,000 pairs of Frankfurters a day by hand.

A Land of 1,500 Varieties of Sausages

FRANKFURT — Dieter Stang is an amiable man. He stays calm. But he does not want to hear about hot dogs. He is the manager in charge of sales for the Hans Wirth sausage firm. Among the 180 different pork products his company makes is the original frankfurter.

While there are imitations of this sausage everywhere in the world, the original recipe is owned by Wirth and protected by West German law. The imitations usually look similar but the taste and texture of the famous original is never duplicated. The sausage has a subtle smoked flavor and delicate pink meat that, when correctly cooked, resembles a very firm, warm pork mousse.

Of the 1,500 varieties of sausage, ham and other cured meat products for which Germany is famous, the frankfurter wurst is considered one of the finest. Its filling contains only high quality pork, salt and pepper. The meat is lean and by law this sausage can have only 20 percent fat, all of which comes from the natural grain of the meat.

The Wirth plant, in the Frankfurt suburb of Neu-Isenburg, is typical of the efficient German sausage factory that descends from an old butcher tradition. In fact, Mr. Stang owns a chain of local butcher shops in which he sells the Wirth products. Wirth buys whole pig carcasses, beef and sausage casings and from this makes their extensive line of sausages, cured meats and hams. After selling off a small amount of excess fat and skin, they have nothing left to throw out except bones.

While the Wirth firm only began in 1903, the frankfurter sausage is centuries old. Originally it was a coarse sausage made from chopped meat. But toward the end of the 18th century, Frankfurt became a fair town, which it remains today. With the fairs came new customers and the incentive to make a greater variety of sausage specialties.

Frankfurt butchers discovered the first techniques for making a finely chopped filling. This

eventually led to the hand grinder, then an electric grinder and new industrial machines. However, since the end of the 19th century when Frankfurt butchers acquired the technology for an almost perfect fineness in their filling, the only thing that has changed is the casing. It is still sheep intestine but new rapid machines require a more durable casing than the soft-living modern German sheep can provide and so casings from wild grazed sheep are imported from Asia.

Sausage stuffing remains a partially hand operation which is why no two frankfurters are exactly alike. The sausages still are made and sold in pairs so they can be hung over bars for curing. Pork grinding begins at 3:00 A.M. and three teams make 70,000 pairs in a fast-fingered eight-hour shift. The sausages then are smoked over soft pine-wood fires for almost four hours. They are hand-packed in either jars or cans or "vacuum packed" in plastic. In a can or jar they will keep up to two years, but it is not a fresh product. A vacuum-packed frankfurter is fresh and since it has no preservatives it will only keep a few weeks even with refrigeration.

This is one reason why there are more imitations around than real frankfurters. Also imitations can be made with cheaper ingredients. But Wirth does have distribution in most European capitals, Chile, Central America and Japan. Of 12.5 million pairs of frankfurters made each year, 10 percent are exported. A frankfurter should never be boiled but should be gently poached in barely moving water. In Germany there are many ways to eat it, including in cold salads. Berliners serve it with a pungent curry sauce. The French eat it with french fries. But here at the Wirth plant they are very specific about the correct way to eat a frankfurter wurst. "With your hands!" said Mr. Stang, astounded by the question. "With a beer," was an added suggestion.

— MARK J. KURLANSKY

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Baden-Wuerttemberg is associated the world over with productivity and achievements in science, technology, and industry. With pioneers such as Ferdinand von Zeppelin, whose first dirigible, the cigar-shaped LZ-1, proved in 1900 the practicability of rigid airships.

Zeppelin is a typical example of the deep-rooted commitment to inventiveness and productivity that has made Baden-Wuerttemberg one of West Germany's most dynamic and prosperous states. Productivity is also the cornerstone of our banking philosophy at Landesbank Stuttgart, which ranks among southern Germany's leading banks with assets of some DM 25 billion.

Landesbank Stuttgart is a government-backed bank offering a comprehensive range of commercial and investment services including trade financing, foreign exchange and security dealing, and underwriting operations. With a full-service branch in London, we have the capabilities and flexibility to meet the financial requirements of a growing international clientele. In Zurich we are represented by our affiliate Bank für Kredit und Aussenhandel AG (BKAG) and in Paris by Banque Franco-Allemande S.A. (BFA). For refinancing purposes we are authorized to issue our own bonds.

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WEST GERMANY

Allies' Concern Over Pacifism Increases

'An overtly pacifist federal republic, though it may be an anomaly for history, could seriously jeopardize the North Atlantic Treaty Organization, which considers the German army the spearhead in any Central European confrontation with the Warsaw Pact.'

BONN — West Germany's allies are becoming increasingly concerned that the country and its army are being pulled into

An overtly pacifist federal republic, though it may be an anomaly for history, could seriously jeopardize the North Atlantic Treaty Organization, which considers the German army the spearhead in any Central European confrontation with the Warsaw Pact.

Worse, a *bundeswehr*, which defines itself as "an army of peace," trained on a policy of defense and buffeted by constant criticism of being a threat rather than an asset to peace and German survival, might not stand up psychologically to an assault.

Not that the German army is short of recruits as the "armored land fist" of NATO along the 1,000-mile strategic border with the Warsaw Pact nations. "It is the most modern and splendidly equipped conventional army in the West," a high-ranking Western official said. "Its speed, maneuverability and striking capacity are virtually unequalled. We know even the Soviets have the highest respect for it."

But when Chancellor Helmut Kohl says in his policy statement "none of our weapons will ever be used except in response to attack," he further nurtures a growing German conviction that "it will never happen."

Although West Germans are understandably horrified by the vision of their country as the central stage of an East-West armed con-

front, successive governments have never shunned their commitment to NATO. Each year 5,000 military exercises take place on West German soil, by far the greatest number in the West. And no other Western country has a more densely concentrated military population. Besides the 495,000-man army, another 392,000 Allied servicemen (233,000 of them Americans) are stationed on West German territory, using \$18 billion worth of German property free of charge.

"This country's foreign and security policy is founded on the North Atlantic alliance and our friendship with the United States," Mr. Kohl said only last October. He added: "It is an alliance that threatens no one and does not aspire to superiority, but cannot, for the sake of preserving peace, accept permanent inferiority."

Recent modernization has considerably bolstered the role of the *bundeswehr* as NATO's key deterrent in Central Europe. Its land forces are committed to the front-line defense in case of invasion while the West German navy and naval air force must blockade the exits from the Baltic Sea.

"Autonomous in peacetime, under NATO control in times of war and crisis, the West German army has been assigned a vital role that has made its own problems also those of its allies. And there is growing concern that the armed forces are entering a period of manpower crisis that would diminish their efficiency."

The Germans admit that the

bundeswehr, a popular butt for left-wing criticism, suffers from a rejection syndrome among high school graduates — the traditional source for its officer corps. About 50 percent of the students make use of their constitutional right to refuse conscription.

There is also a project to increase military service from 15 to 18 months, though Allied commanders grumble that there is a limit — in an era of sophisticated arsenals — of how much one can cram into the head of a recruit even in 18 months. More viable are the campaigns to engage a greater number of *zeitsoldaten* who sign on for a period of years, to embark on more lucrative offers for specialists and to expand vocational training for recruits to make the services more attractive.

On the positive side Allied officers say the Germans, though obviously influenced by past military traditions, have remodeled their *bundeswehr* (founded in 1956) along more democratic lines, some of them worth copying. "For example, the Germans push a lot of responsibility downwards," an Allied observer said. "In the United States there is a tendency to over-control from the top while the Germans leave a lot of initiative to their field commanders and officers. There is an exceptionally good relationship between senior and junior officers. The junior is listened to and treated as a fellow professional."

But the most generally admired quality is the *bundeswehr's* high degree of mobility and efficiency. It

is capable within 72 hours of converting its 12 divisions — all endowed with an A1 NATO rating, the highest readiness and availability status — into 30 divisions, numbering 1.2 million men. Even its greatest critics, from the newly elected Greens to left-wing intellectuals, cannot accuse it of inefficiency, but they point out that by its strike capacity it draws the enemy.

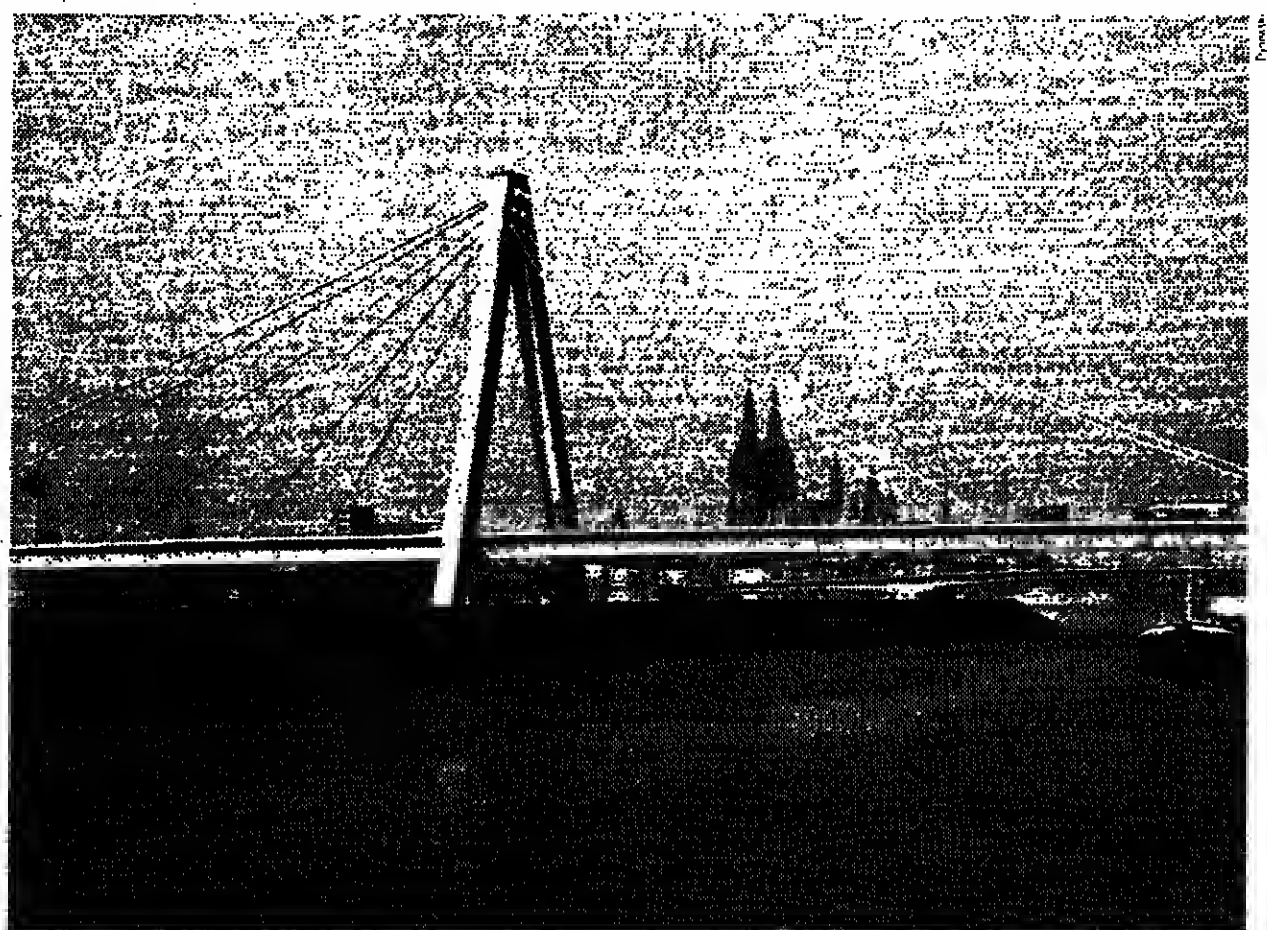
They would prefer to see it as a token "peace force," and so, combined with the withdrawal of Allied troops, allow West Germany to become a neutral buffer zone rather than the frontline defense theater of the Western alliance.

Many strategists would rather see the *bundeswehr* fight a "hit-and-run" mission or employ the "sponge" defense — tank ambushes at strategic points — to retard the enemy advance, so permitting rearward forces to mobilize and be deployed. "This strategy would, of course, mean ceding West German territory and there is no way you could sell that to the West German people," an Allied observer said. "For them the idea of being conquered by the Soviets with the hope of being liberated again in future is just not on."

For West Germans in the frontline the issue is purely pragmatic. A Berlin housewife said: "If it comes to the point, I would rather be alive under the Soviets than a heartless dead by the Allies."

After all, even optimists agree that a Central European war, conventional or nuclear, would certainly be fought on German soil.

— ULI SCHMETZNER



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An American soldier in West Berlin photographs troops marching in the annual Allied Forces Parade.

New Tension for U.S. Troops Is Expected

BONN — For a moment in December, it threatened to be a stormy winter for U.S. servicemen stationed in West Germany.

A series of bombings that began in October culminated 10 days before Christmas with the discovery of three booby-trapped cars owned by American soldiers in Bielefeld, Frankfurt and Darmstadt. Two of them went off before they were discovered, injuring one soldier. The police described the acts as "a new dimension" in terrorist activities.

"There was no follow-up, however, but tensions are likely to rise again later this year if the United States and the Soviet Union fail to agree at the Geneva talks on reduction of intermediate-range nuclear weapons and decide they must deploy Pershing-2 missiles in this country."

The anti-nuclear Green party, which was elected to parliament for the first time in the March elections, and other non-parliamentary peace movements plan non-violent action to protest against the deployment.

The Greens in the past have blocked roads leading to and from missile sites, but groups both further left and on the extreme right could again resort to violence to emphasize their protests.

A total of 43 attacks were made against U.S. military targets in West Germany last year, but none were as violent as in the previous year, when General Frederick Kroesen, then commander of the U.S. Army in Europe, survived a rocket attack on his limousine. In another incident, 18 other Americans and two Germans were wounded when a booby-trapped car parked in front of the U.S. Air Command headquarters at Ramstein air base exploded.

Although dozens of Americans have been hurt by political violence in West Germany during the past 11 years, the last fatalities occurred in May 1972, in bombings in Frankfurt and Heidelberg.

Violence against the U.S. military by the leftist Rader-Meinhof gang and its successors began in

the early 1970s, as a protest against U.S. involvement in Vietnam. They decreased at the end of that decade — there were no recorded attacks in 1979, and only four the following year — but resumed in 1981. All of the attacks during that decade were either credited to or claimed by leftist militants.

They appeared responsible also for the 1981 revival, although West German police said some of them were acts carried out by part-time terrorists who lived under their real names, building and placing bombs almost as a hobby. Last fall, police began to suspect that rightist or neo-Nazi extremists were also beginning to be active.

The far left and right both consider the U.S. armed forces in Germany to be "imperialist occupation forces," and both have resorted at least some of their training in Palestinian guerrilla camps.

In February, West German police arrested three alleged neo-Nazis in the Frankfurt area on the suspicion that they had set some of last year's booby-traps aimed at U.S. soldiers. At their request, police in Britain arrested two other suspected German neo-Nazis visiting England. All five will be formally charged this summer.

The U.S. military in West Germany often targets targets to terrorists. More than a quarter of the U.S. army — at least 200,000 soldiers — is stationed in West Germany, as well as 37,000 members of the U.S. Air Force. The army is accompanied by about 175,000 dependents — spokesmen now refer to them as "family members" — and the Air Force by a proportionate number.

Probably half of the military families and perhaps more live off base, beyond the security perimeters, either in mainly American residential areas or in German apartments. Until recently, many Americans were as carefree in West Germany as they were at home about locking apartment, garage or car doors. But neighborhood security now has been tightened with additional military and German police

patrols, and Americans are urged to phone the MPs whenever they spot a stranger in their building or someone observing them at length from a parked car. Most cars are now kept locked.

The bulk of the American military community — about 130,000 people — is concentrated in the state of Rhineland-Palatinate, west of the Rhine river. Because of the half dozen U.S. air bases there, state premier Bernhard Vogel has dubbed it "Europe's aircraft carrier."

To some observers, it seems paradoxical that while the Greens and other peace groups have their largest following in university cities, they are weakest in communities near U.S. military bases. For example, the Greens spent much time organizing anti-U.S. protests in Bielefeld, site of a large U.S. air base in Rhineland-Palatinate, but obtained only 3.8 percent of the vote there in the election, compared with a national poll of 6.2 percent and around 10 percent in university cities.

"The fact is that most residents of these towns with an American base consider the Greens a disturbing factor," said Peter Labonte of

the state's ruling Christian Democratic Party. "In Bielefeld, for instance, the Americans have been an economic factor for 30 years, and close personal relationships have developed between them and the local community."

In Fishbach, another of the state's communities, a labor union official is trying to get a constitutional court order for the Americans to remove what he believes is a poison gas depot there.

A West German television interviewer recently asked the mayor of Fischbach why he did not join the action.

"Because," the mayor replied, "I'd rather have the Americans here than the Russians."

Bielefeld, Fischbach and the other American garrison towns will probably remain targets for the Greens and other pacifists, as well as for the more violent militants.

U.S. commanders say they remain alert, but unexcited. And while rumors persist that some American military families have returned to the United States because they no longer feel safe in West Germany, nobody has been able to actually find and talk to such persons.

— WELLINGTON LONG

CONTRIBUTORS

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The »Klassenlotterie« in Germany

90 years of family tradition

The »Klassenlotterie« in Germany has a long history.

It started in 1612 as the Hamburg State Lottery and at that time, 371 years ago, the prizes consisted of bags full of silver, coins and precious cops. Today large sums of Deutsche Mark, convertible into any other currency, are at stake. The »Klassenlotterie« is a state lottery in its operation and state-supervised by the Federal States of Germany. The winnings are state-guaranteed. The lottery management does not sell tickets directly to individuals. This is done by state-appointed agents. And here we come to the history of the Wessel family.

One of the oldest lottery agencies is Wessel of Herford / West Germany. They have made it their business for the past 90 years to bring good fortune to thousands of lottery clients. Heinrich Wessel, grandfather of the present owner Werner Wessel, started in 1893 as a state-appointed lottery agent with the then 189th Royal Prussian Klassenlotterie. He was a prestigious linen wholesaler merchant and a member of his city's council. In 1921 he was succeeded in the management of the agency by his son Gustav Wessel. With the end of World War II the German »Reichslootterie« ceased to exist.

It was only in 1948 that the Hamburg State Lottery made a new beginning under the name »Nordwestdeutsche Klassenlotterie« covering the 5 States of Northwest Germany. The task of rebuilding the lottery business after the damages of the war, fell to Mrs. Ida Wessel, the widow of Gustav. Under her capable management the agency continued until 1955. By this time her

son, Werner Wessel, had completed his studies in economics at the Cologne University and upon her untimely death in 1955 took over the agency and went international as well.

Since then the number of clients has multiplied many times over and today, after 90 years of trust and first-class reputation, the Wessel agency is one of the largest in the Nordwestdeutsche Klassenlotterie and well known in Germany and all over the world. In 1976 Mr. Werner Wessel started a new agency in Kassel for the South German Klassenlotterie in Munich. This new branch is growing quickly and now has a great number of clients in Germany and also abroad.

Grandfather Heinrich Wessel still had to fill in the ticket numbers by hand and sign each lottery ticket personally. These times belong to the past. Grandson Werner Wessel has computerized his business. The checking of winners, bookings, printing of statements and the many other duties connected with the lottery, are all done by machines leaving time for the clerks to give clients more personal attention. The results are a dependable, honest and fast service.

The Wessel family, starting with grandfather Heinrich and now represented by his grandson Werner Wessel, have served the public of lottery clients for 90 years of traditional trust and good fortune and are ready to continue service in the times to come.



Ein Schmelz-Los.

№ 169426

Königl. Pr. 192

Einhaber dieses Loses hat zur Ziehung am 11. 12. 1982 4,40 Mark unter Nummer 169426 4,40 Mark Schmelzlos auf der Reichslootterie darauf fallende Gewinn aus dem planmäßig ausbezahlt werden.

Berlin, den 1. März 1983

Königl. Preuss. Lotteriedirektion

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Nordwestdeutsche Klassenlotterie

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THE Wessel LOTTERY

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WEDNESDAY, APRIL 13, 1983

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BUSINESS PEOPLE

Citibank's Theobald Unworried
By Drive to Regulate Lending

Citibank, which has been in the middle of the Latin American debt storm, finds little to worry about in Congress' movement toward more regulation of U.S. banks' foreign lending. Thomas Theobald, a vice chairman and among the leading candidates to succeed Citicorp Chairman Walter Wriston, told a meeting with journalists in Paris Tuesday that the likely outcome of the movement is simply "more disclosure — a typically American response." The more far-reaching proposals probably will be dropped, he predicted.

The executive expressed little enthusiasm for the establishment of an international clearinghouse for information on bank lending. Stipulating a question about whether banks would be willing to part with competitive details about their operations, Mr. Theobald asserted that a shortage of information has not been the problem. Judgment is what counts in the banking business, he said, "not the quantity of information."

Mr. Theobald was in Paris for the opening of Citibank's new offices at the La Defense complex west of the city. Also at the meeting was Francisco Redi, former head of European treasury operations. He will be taking over from Thomas P. Noonan as country corporate officer for France. Mr. Noonan is moving to Miami, Florida, to become chairman of Citibank International.

NCR Ltd. Banking on ATMs

NCR Ltd., which recently announced the appointment of Frederick Newell as chairman and managing director to succeed Rex M. Fleet, is banking on its automatic teller machines for the long term.

While some industry analysts say the market for automatic teller machines is about in peak, NCR, whose ATM sales in Britain are second only to IBM, feels that there is still plenty of room for growth. "The sky is the limit," said a spokesman for the London-based unit of NCR Corp., which makes business information processing systems.

The spokesman said the "big revenue earner for NCR in the next five to 10 years is a variation of the ATM concept." Under that variation, someone wishing to travel to Geneva, for example, could go to the airport, insert a plastic card in an ATM-like device, punch in the required information and be issued a ticket and have the transaction recorded in his account in a matter of seconds. The spokesman said that last year ATMs were the "single largest section" at NCR Ltd., whose turnover for 1982 was £19.2 million (\$182 million), up 18 percent from the previous year.

Mr. Newell will take over the helm of NCR Ltd. on July 1 when Mr. Fleet will become vice president, financial systems division, of NCR's U.S. marketing organization. He will be based in the headquarters in Dayton, Ohio. Mr. Newell currently is based in Dayton, as executive assistant to NCR's chairman and president.

Other Appointments

Bank of America has appointed Robert A. Belonger head of its British, Irish and Nordic region and manager of its London branch. He succeeds Richard L. Saffell, who has been promoted to executive officer, private banking worldwide, at the bank's headquarters in San Francisco.

Peter W. Bickerton has joined Manufacturers Hanover in London as an associate director in the corporate finance department. He was previously deputy chairman and deputy managing director of Sime Darby London Ltd.

Fuji Bank of Tokyo has opened a branch in Paris and named M. Matsunaga general manager.

Salomon Brothers International in London has appointed Janet E. Watson vice president, Eurobond sales. She formerly was with the London office of Credit Suisse First Boston.

Swissair has named August Weber its London-based general manager for the United Kingdom and Ireland. He succeeds Louis Nart, who is going to Vienna as the Zurich-based airline's general manager for Austria. Mr. Weber previously was based in Hong Kong as regional manager for the Far East and Australasia.

Den Danske Bank has opened a London branch and named Per Møller general manager. He previously was in the head office in Copenhagen.

Crédit Commercial de France has appointed Charles de Croisset head of its international department. He will succeed Jean de Roquefeuil, deputy general manager, who will cease to work full time for the Paris-based bank effective June 30. Mr. de Roquefeuil has been appointed chairman and chief executive of International Bankers Inc., a new Luxembourg-based bank.

—BRENDA HAGERITY

CURRENCY RATES

Interbank exchange rates for April 12, excluding bank service charges.

	\$	£	D.M.	F.P.	Y.L.	S.F.	S.P.	D.K.
Amsterdam	2.2785	4.181	172.58	27.28	3.3872	5.601	132.25	3.75
Brussels (a)	48.22	75.92	19.148	6.688	3.3425	—	—	21.85
Frankfurt	2.4195	3.7125	—	—	1.6718	—	—	26.16
London (a)	1.0375	—	—	—	—	—	—	—
Madrid	1.6425	2.2158	—	—	—	—	—	—
New York	1.241	—	—	—	—	—	—	—
Paris	7.33	11.392	—	—	—	—	—	—
Stockholm	2.0545	3.1795	—	—	—	—	—	—
1 ECU	0.9302	0.6868	2.2528	4.7534	1.5023	2.5377	44.863	1.905
1 SDR	1.2741	0.70467	2.4342	7.8709	1.4	2.5569	52.595	2.2149

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Paris	7.33	11.392	—	—	—	—	—	—
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1 ECU	0.9302	0.6868	2.2528	4.7534	1.5023	2.5377	44.863	1.905
1 SDR	1.2741	0.70467	2.4342	7.8709	1.4	2.5569	52.595	2.2149

1.2741 Irish L.
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INTEREST RATES

Eurocurrency Deposits April 12

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
1 M.	9 1/4 - 9 1/2	4 1/4 - 4 1/2	4 1/4 - 4 1/2	10 1/4 - 10 1/2	12 - 12 1/2	8 1/4 - 8 1/2	8 1/4 - 8 1/2
3 M.	9 1/4 - 9 1/2	4 1/4 - 4 1/2	4 1/4 - 4 1/2	10 1/4 - 10 1/2	12 - 12 1/2	8 1/4 - 8 1/2	8 1/4 - 8 1/2
6 M.	9 1/4 - 9 1/2	4 1/4 - 4 1/2	4 1/4 - 4 1/2	10 1/4 - 10 1/2	12 - 12 1/2	8 1/4 - 8 1/2	8 1/4 - 8 1/2
1 Y.	9 1/4 - 9 1/2	4 1/4 - 4 1/2	4 1/4 - 4 1/2	10 1/4 - 10 1/2	12 - 12 1/2	8 1/4 - 8 1/2	8 1/4 - 8 1/2

Key Money Rates

	Class	Prev.	Class	Prev.
Discount Rate	5 1/2	5 1/2	Bank Base Rate	10 1/2
Federal Funds	5 1/2	5 1/2	Call Money	10 1/2
Prime Rate	10 1/2	10 1/2	91-day Treasury Bill	9 1/2
Broker Loan Rate	10 1/2	10 1/2	3-month Treasury Bill	9 1/2
Comm. Paper, 30-179 days	8 1/2	8 1/2	6-month Treasury Bill	9 1/2
3-month Treasury Bills	8 1/2	8 1/2	CO's 30-90 days	8 1/2
6-month Treasury Bills	8 1/2	8 1/2	CO's 90-180 days	8 1/2
CO's 30-90 days	8 1/2	8 1/2	CO's 180-270 days	8 1/2
CO's 270-360 days	8 1/2	8 1/2		

	Class	Prev.	Class	Prev.
Discount Rate	5 1/2	5 1/2	Bank Base Rate	10 1/2
Federal Funds	5 1/2	5 1/2	Call Money	10 1/2
Prime Rate	10 1/2	10 1/2	91-day Treasury Bill	9 1/2
Broker Loan Rate	10 1/2	10 1/2	3-month Treasury Bill	9 1/2
Comm. Paper, 30-179 days	8 1/2	8 1/2	6-month Treasury Bill	9 1/2
3-month Treasury Bills	8 1/2	8 1/2	CO's 30-90 days	8 1/2
6-month Treasury Bills	8 1/2	8 1/2	CO's 90-180 days	8 1/2
CO's 180-270 days	8 1/2	8 1/2	CO's 270-360 days	8 1/2

Sources: Commercial Bank of Tokyo, Citicorp, Citibank, BNP, Paribas, etc.

Prices Up
Slightly
On NYSE

Compiled by Our Staff From Dispatches

NEW YORK — Prices on the New York Stock Exchange were slightly higher Tuesday as institutional investors tried to determine whether the market was ready to resume its bull market surge or retreat in profit-taking.

Lower interest rates propelled averages past their record highs at the outset before investors began to cash in on profits from a three-day rally. Analysts were split in their opinion on the market's course.

The Dow Jones industrial average, up nearly five points at the outset and down slightly in the early afternoon, closed up 3.49 at 1,145.32, just short of its all-time closing high of 1,145.90 set March 24. It had climbed 17.12 points Monday.

In the previous three sessions, the Dow had risen 28.34 points following a two-week slump and some traders took profits early in the day. "But the selling pressure is not strong," Trude Lauer, Evans & Co. vice president, said.

Advances led declines by a three-to-two margin, while volume was about 80 million shares, down slightly from the 81.3 million traded Monday.

Analysts said some institutions appeared to pull back their buying orders after the initial surge to reflect on first-quarter earnings reports starting to emerge. Experts said those results will be crucial to the near-term course of the market.

Investors were encouraged by federal funds rates banks charge one another for overnight loans dropped in 8 1/4 percent, continuing a retreat from a high of 10 1/4 percent just prior to the first quarter's end.

The reduction was sparked by the Federal Reserve's report Friday of an unexpected \$100 million drop in the nation's money supply.

That was welcome news to a jittery Wall Street that had feared a continued bulge would force up interest rates.

On the NYSE floor, Chrysler, which recently sold 16 million shares, was the most active NYSE-listed issue, up 1 1/4 to 18 1/2. General Motors was ahead 1 1/4 to 59 1/4 in active trading.

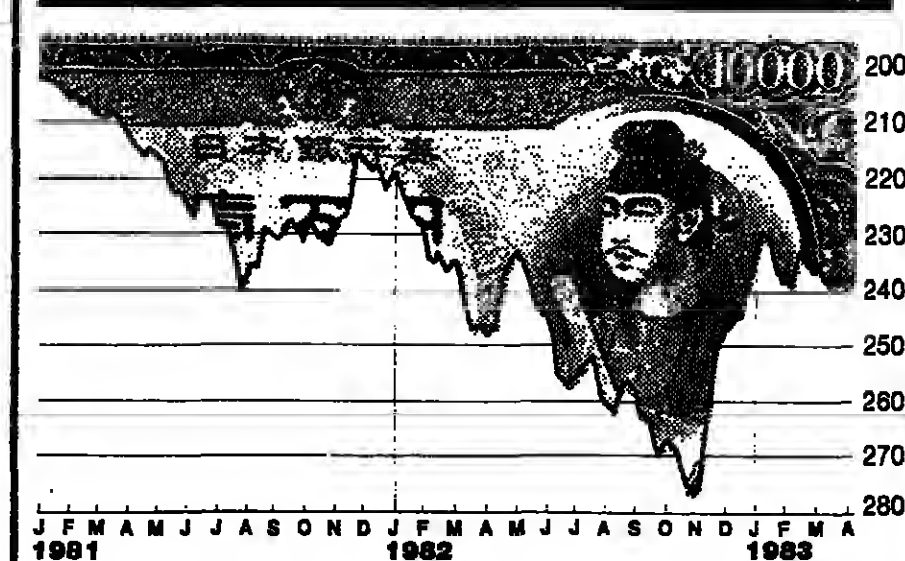
American Motors, which doubled its proposed common stock offering to 10 million shares, was off 1/4 to 5 1/4.

IBM, which paced Monday's rally by rising to an all-time high, was up again, 1/4 to 107 1/2 in active trading. IBM is expected to release its earnings this week. American Telephone & Telegraph was down 1/4 to 64 1/4.

Other high-technology issues also gained. Commodore International was up 3/4 to 79 1/4.

The Yen's Stubborn Weakness vs. the Dollar

Japanese yen per dollar, weekly New York close; scale is inverted, downward movement means the yen is losing value in dollar terms

Continued Weakness of Yen
Is Confounding the Experts

By Steve Lohr

New York Times Service

TOKYO — Over the past year and a half, the behavior of the yen in foreign exchange markets has confounded the experts. At the end of 1981, leading economic research organizations and banks, inside and outside Japan, predicted that the yen would strengthen in 1982 to about 205 yen to the U.S. dollar.

They were off by a wide margin. The average yen-dollar rate last year was just under 250. A higher yen-dollar rate means that the yen is weaker because it takes more yen, or fewer dollars, to buy the same amount of goods.

Most economists agree that the yen is undervalued. Though difficult to gauge precisely, they generally say that the "appropriate" yen-dollar rate would be near 200, if the ratio faithfully reflected such economic fundamentals as differences in the two nations' inflation rates and current-account balance, which is a measure of all trade in goods and services.

The closing yen-dollar rate in Tokyo was 237.48 on Tuesday.

The consequences for the United States and Japan of an undervalued yen are significant. By making Japanese goods less expensive abroad and U.S. goods more expensive in Japan, it widens the U.S. trade deficit with Japan. Last year, the bilateral deficit reached a record \$16.8 billion, and it is expected to go higher this year.

Accordingly, the cheap yen has heightened pressures to protect U.S. companies from Japanese rivals through import restrictions or other actions.

The persistent unwillingness of the yen to strengthen has also brought charges from the United States and Europe that the Japanese government was somehow "rigging" the yen, keeping it undervalued as a subsidy to Japanese exporters.

In the view of economists and currency traders, however, the continuing weakness of the yen has

little to do with activities in Japan or pessimism about its economic future. Japan is a powerful trader, with the lowest inflation and the highest economic growth among the major industrialized countries.

The outlook for this year is hardly gloomy. For example, Japan's current account balance is expected to rise to a surplus of about \$13 billion, from a surplus of \$6.9 billion last year.

"No one thinks the Japanese economy is in trouble," said Eric A. Nickerson, chief economist of the Bank of America's Asia division. "What we are seeing in the currency markets is much more a strong dollar environment than a weak yen psychology."

Still, the dollar has been strong against the currencies of most major countries for more than a year. Still, none of the others have as impressive economic fundamentals as Japan.

The main reason for the yen's continuing weakness has apparently been the comparatively high interest rates offered in the United States and the possibility that they may remain high for a while longer.

While Japan's trading position was strong last year, money poured out of the country in pursuit, mostly, of the high yields available in the United States. In 1982, Japan's long-term capital account showed a deficit of \$15 billion, compared with an outflow of \$6.4 billion in 1981.

"Nobody expected that the capital-account deficit would be so big," said Isamu Miyazaki, chairman of the Daiwa Securities Economic Research Institute. "In other words, no one expected that U.S. interest rates would be so high."

The attraction to Japanese investors has been considerable. Last June, when U.S. rates touched a recent peak, 10-year Treasury bonds carried an effective yield of 14.7 percent, about 7 percent higher than the yield on Japanese government securities.

(Continued on Page 21, Col. 1)

Volcker Warns
High U.S. Rates
Imperil Upturn

Compiled by Our Staff From Dispatches

WASHINGTON — Federal Reserve Board Chairman Paul A. Volcker said Tuesday that interest rates remain too high to support a long-term economic recovery. He added that he expected the interest rates to decline over the next year, in view of forecasts of continued low inflation.

Mr. Volcker, speaking before the House Banking Committee, also said he expected the growth in the money supply to subside in coming months. He acknowledged that the jump in M-1 and M-2 had been higher than the Fed had forecast, but attributed it to changes in accounts offered by banks.

In New York, credit markets firmed in response to Mr. Volcker's statements.

Discussing interest rates before the committee, Mr. Volcker said:

"If the inflation outlook is as good as I think it is, then, interest rates are high relative to what is necessary and desirable to sustain a long, healthy recovery," he said. "But I would not make the case that in the short run, the level of interest rates are incompatible with a business recovery."

He added that if inflation continues to drop, "the basic outlook for interest rates is in the downward direction."

Although inflation is expected by most economists to run at a rate of about 4 percent or less this year, many short- and long-term interest rates are at more than 10 percent.

Mr. Volcker blamed the high interest rates on lenders' concern that inflation will surge again in the future, worries about future federal budget deficits and the elimination of laws that had once imposed interest rate ceilings.

Despite the interest rates, Mr. Volcker said, the Fed's forecast in February still holds for a moderate recovery in 1983.

He said the Fed forecasts of 3.5- to 4-percent growth in gross national product were in line with predictions made by the administration and the Congressional Budget Office.

Mr. Volcker also clashed with the committee over a House resolution requiring the Federal Reserve Board to provide Congress with specific three-year targets for economic growth, inflation and employment.

The central bank cannot control monetary policy so precisely as to fulfill these goals, particularly three years into the future, he said.

But committee members charged

U.S. Retail Sales
Increase 0.3%

Reuters

WASHINGTON — U.S. retail sales rose 0.3 percent to a seasonally adjusted \$91.52 billion in March, the Commerce Department said Tuesday. The increase followed three consecutive monthly declines.

The department also revised the retail sales performance for February in show a decline of 1.2 percent rather than the 0.4 percent drop reported a month ago. March's retail sales were 4.3 percent higher than those in the same month last year.

The department said that excluding automobiles, retail sales in March totaled \$75.65 billion, down 0.3 percent from the preceding month but 3.5 percent higher than in March 1982.

Sales of durable goods increased 1.8 percent last month mainly because of an advance in auto sales. In February durable goods sales had declined 3.6 percent.

that the Fed merely is trying to avoid making public its basic policy objectives.

"Of all the economic policy-making branches of government, only the Federal Reserve Board does not provide any clue about where its policy is designed to lead the country," said the committee chairman, Ferdinand J. St. Germain, Democrat of Rhode Island.

Mr. Volcker also told the committee that he expects money growth to subside in coming months, "particularly for M-2 and M-1."

Mr. Volcker said M-1, which measures cash and money in checking accounts, has been growing at a rate substantially higher than that implied by the annual target the Fed set in February of between 4 and 8 percent, he said, however, that this growth reflects changes brought about by new kinds of checking and savings accounts.

Credit markets firmed in response to Mr. Volcker's statements. The markets had opened little changed to slightly lower, amid uncertainty about what Mr. Volcker would tell the committee.

Long-dated bond prices were 5/16 higher, with the 10 1/8s of 2012 at 99 1/4, against 99 5/16 Monday night, after opening lower at 99 3/16.

N.Y. Banks Eye Billions on Deposit in Florida

By Reginald Stuart

New York Times Service

TALLAHASSEE, Fla. — Some of the United States' largest banks are waging a big lobbying effort here in an effort to mine the nearly \$50 billion on deposit in Florida banks.

The leaders of the effort, including New York's Citicorp and Chemical Bank, hope to persuade Florida legislators to approve measures permitting ownership of Florida banks by banks based in other states.

Faced with stiff opposition from most of the Florida banking community, the out-of-state banks have assembled an impressive group of lobbyists and public relations representatives to argue their case before the lawmakers, the news media and special interest groups around the state.

The developments here are being watched throughout the United States because of the high stakes involved. They are also being viewed as a possible indication of how other Southern states where the issue is essentially dormant now, except in Tennessee, might act.

Legislatures in several New England states have adopted interstate banking laws of a more limited scope, restricting ownership agreements to banks in states within the region.

A subcommittee of the Florida House Committee on Commerce is scheduled to hold hearings this

week on two versions of an interstate banking bill. One would open the door to banks in any state that has adopted its own interstate banking law — so-called reciprocal treatment. The other proposal would restrict the program to Southern states with such laws.

Legislation that would allow unrestricted access to the Florida market has been filed in the Florida Senate.

Lobbyists say, however, that it is too early in the legislative session, which is scheduled to run through early June, to estimate the prospects for legislation.

The intense interest in Florida by the major money center banks stems from the state's position as the plum of the South. Between 1970 and 1980, the state's population grew 43.4 percent, to 9.7 million, one of the highest growth rates in the nation. Bank deposits have grown by 18.6 percent in the last 10 years, to about \$50 billion at the end of last year.

The most vocal Florida supporter of the out-of-state banks is State Senator Jack Gordon, the prime sponsor of the Senate bill. Mr. Gordon, president pro tem of the Senate, was president for 25 years of a savings and loan association in Miami Beach.

"Florida is a growing state and needs more capital," he said. "In

the 47 years I've been in business there has always been a capital shortage in this state," Mr. Gordon discounted assertions by opponents that interstate banking would result in out-of-state banks taking Florida deposits elsewhere to make loans.

Despite federal and state limitations, out-of-state banks already have a significant presence in Florida, banking industry analysts note. Many out-of-state trust companies, especially those in the Northeast, have established offices in Florida to handle the affairs of clients who have moved to Florida or maintain second homes here.

Non-Flores banks are allowed to make loans in Florida through so-called loan production offices. According to a 1980 study, Citicorp alone was carrying more than \$1 billion in business loans in Florida-based companies, \$500 million in real estate loans and \$150 million in consumer loans.

Out-of-state banks have also taken advantage of the Edge Act, a federal law that allows out-of-state banks to establish full service international banking operations in Florida. Today, nearly every major American bank has an Edge Act affiliate in Miami.

Gerald Lewis, Florida's comptroller, opposes interstate banking measures. "If we wind up in this

country with just a handful of nationwide banks, the losers will be small-business people," he said.

He rejected the view that interstate banking is essential to increase loan money, saying that out-of-state banks may make all the loans they wish in Florida through their loan production offices.

"I've not heard any complaints that there's a lack of capital in Florida," he said, "that people can't get loans."

Mr. Lewis also questions the value in Florida banks of any reciprocity provisions. "To call it reciprocity is misleading," he said. "It would be a one-way street. It's not designed to let Florida banks do business in New York," he said.

The views of the state's banks vary.

"A lot of banks in the state still want to maintain their independence and the opportunity to acquire other institutions in the state," said Erwin Katz, executive vice president of Jerry Williams Inc., an investment house based in Tampa.

Canada Announces Cut
In Gas Prices for U.S.

By Douglas Martin

Japan Attacks EC for Trade Protest

By Our Staff From Dispatches

OKYO — Japan asked the European Community Tuesday to rescind its decision to complain to the GATT officials that Japan is maintaining barriers against imports, says Ministry officials said.

The EC Commission told Japan's mission at GATT headquarters in Geneva that it planned to take paragraph 2 of article 23 of the General Agreement on Trade and Tariffs, the Foreign Ministry officials said.

That paragraph calls for multilateral consultations on any complaint of unfair trade.

Earlier Tuesday, the minister of international trade and industry, Minoru Yamazaki, strongly attacked the decision, and questioned the EC's credibility.

Speaking at a news conference, Yamazaki charged the EC with "violating promises" to avoid open confrontation on trade issues.

Mr. Yamazaki said the EC had agreed in February not to take action for six months while it opened Japan's efforts to open its markets.

"We are now forced to have a fundamental doubt about the European Commission as a negotiator," Mr. Yamazaki said.

Mr. Yamazaki also said Japan's ambassador to Paris, Hiroshi Uchiyama, was to meet the French minister of trade, Edith Cresson, Tuesday to press France to lift its import duties on Japanese cars.

Under the measures, imposed in October, the records must pass through a small inland customs post in Poitiers, France. This has caused a huge backlog, and effectively limited Japanese sales of cars in France.

The request that the EC rescind its decision to complain to GATT is made by Ryoko Murata, director general of the Economic Affairs Bureau, to Laurens Jan Brimicombe, who heads an EC Commission delegation now visiting Japan, Foreign Ministry officials said.

The EC action was "detrimental to Japan-EC relations at the time the two parties were trying to deepen and broaden their cooperative relationship," the officials quoted Mr. Murata as telling Mr. Brimicombe.

They added that Mr. Brimicombe said it was a routine procedure under GATT rules, and that he did not think it was an unfriendly action against Japan. He promised, however, to convey Japan's concerns to the EC Commission in Brussels.

Gilles Anouilh, a spokesman for the EC delegation now in Tokyo, added that GATT was the "normal" mechanism to settle trade differences with Japan.

"The basic question concerns Japan's economy and its openness to the world and its participation in the GATT family," he said. Low imports show "Japan is not really a member of the family," he said.

GATT working parties are to begin discussions April 20 on the allegations.

When Japan agreed in February to restrain exports of videotape recorders and other products to Europe, EC negotiators hailed the move as a breakthrough but cautioned that it would be pointless unless European industries used the agreement to improve their products.

In a week of negotiations with the EC here in February, Japan agreed to continue a 1982 accord to moderate exports of cars and machine tools; hold sales of large TV tubes to 900,000 units in 1983; and restrain exports of high-fidelity equipment, forklifts, motorcycles and quartz watches.

In March, the government announced measures to make its standards and operating test procedures more accessible to foreign manufacturers.

Japan had a \$9.9-billion trade surplus with the 10-nation EC in the financial year that ended on March 31, according to figures released Monday in Tokyo.

BUSINESS BRIEFS

Isuzu and GM Seek to Establish Sales Company in W. Germany

TOKYO (AP) — Isuzu Motors of Japan said Tuesday that it has applied to the West German government for approval to set up a joint venture with General Motors of the United States to market Isuzu's trucks in Europe.

Isuzu officials said their company is also studying the possibility of producing small trucks in Britain, possibly at a plant owned by Vauxhall of Britain, GM's 100-percent owned subsidiary. GM owns 34.2 percent of the Japanese company.

The officials said Isuzu and GM hope to establish a joint venture with the Japanese partner investing its capital in Continental Vehicle Sales Co., GM's 100-percent owned subsidiary in West Germany.

Nihon Keizai Shimbun, a daily economic newspaper, said Isuzu will increase from \$600,000 to \$1 million. The venture will market Isuzu trucks in West Germany, Italy, Denmark, Switzerland, Austria, Belgium, the Netherlands, Norway, Sweden and Finland, the paper said.

TeleVideo Studies European Plant

LONDON (IHT) — TeleVideo Systems, a California-based maker of computer terminals and personal computers, is considering seriously establishment of a plant in Europe. K. Philip Hwang, chairman, said here Tuesday.

Officials of the company, whose newly introduced personal computers are aimed at business users, noted in an interview that most of the leaders in the European market manufacture in Europe or plan to do so.

Mr. Hwang, conceding that his goals are ambitious, said TeleVideo hopes to sell 100,000 eight-bit and 16-bit personal computers in its first year of output. About 20 percent of the sales are to be in Europe, he said.

Butcher to Sell His 21 U.S. Banks

KNOXVILLE, Tennessee (AP) — C.H. Butcher Jr. announced Tuesday that he is getting out of the banking business, selling his controlling interest in 21 banks in Tennessee and Kentucky.

Mr. Butcher said he will sell six of his Tennessee banks and his troubled Southern Industrial Banking Corp. to MidSouth Bankshares, a company owned by two Longview, Texas, investors, Jack R. Strong and Coy R. Jones.

Mr. Butcher said he would sell five other Tennessee banks to investor Ben Rawlins of Baton Rouge, Louisiana, who is being financed by Union Planters National Bank of Memphis. Mr. Butcher said he has signed an agreement in principle to sell his eight Kentucky banks to Mr. Strong. He also said he would dispose of controlling interest in his remaining two Tennessee banks.

Japan Chipmakers to Spend More

TOKYO (AP) — Japanese semiconductor makers plan to increase their investments in plant and equipment by 36 percent in fiscal 1983, which began April 1, from year-earlier levels, according to industry sources and reports published Tuesday.

Japan's top nine makers of devices plan combined semiconductor-related investments of \$27.5 billion yen (\$1.38 billion) in fiscal 1983, up from \$20.2 billion yen in fiscal 1982, said the Nihon Keizai Shimbun, a business newspaper.

Talbot Pessimistic on '83

LONDON (Reuters) — Talbot, Peugeot's British subsidiary, said Tuesday that interest charges resulting from debts incurred in the 1974-78 period will make it difficult for it to achieve a net profit in 1983.

But Talbot, commenting on its 1982 results, said it achieved a small net profit in the first quarter. It showed a pre-tax loss of £54.85 million (£83.9 million) in 1982, down from £91 million in 1981, but after a tax credit and a £55 million grant from Peugeot the company had a net profit of £252,000 compared with a loss of £1.82 million.

Hyatt Said to Offer Braniff a Loan

DALLAS (UPI) — Hyatt Corp. is offering a \$10-million loan to put bankrupt Braniff International back into the skies, analysts said Tuesday. In return the company would gain a potential \$360-million tax advantage, they added.

Under the Chicago-based hotel chain's proposal, the airline's creditors would be required to subsidize the company with as much as \$50 million by taking new notes for the amounts of money they are owed. Some creditors are reportedly balking at the proposed arrangement.

If the proposal is accepted, Hyatt could get a tax break of \$360 million, the amount Braniff lost before it ceased operations May 12, 1982, the Dallas Times Herald reported. The plan results in the use of 30 of Braniff's idle jet fleet and the rehiring of about 2,000 former employees of the airline.

Gulf to Use Penney Credit System

NEW YORK (Reuters) — I.C. Penney said Tuesday that Gulf Refining and Marketing Co., a Gulf Oil subsidiary, has tentatively agreed to use the nationwide credit authorization and data collection services of I.C. Penney Systems Services for Gulf credit card and bank credit cards.

Investor Near Takeover of Flexi-Van

By Kenneth N. Gilpin

New York Times Service

NEW YORK — David H. Murdoch, the major stockholder in Flexi-Van Corp., appears to have won control of the company after a brief fight with its management.

In separate statements on Monday, the New York-based transportation leasing company first said that its directors had approved a "consulting arrangement" effective May 5 with two key executives: Lewis Rubin, president and chief executive officer, and Neal Merkel, executive vice president.

A second statement issued later in the day said that pending litigation and other disputes between Flexi-Van and Mr. Murdoch, a Los Angeles financier, would be discussed at a board meeting on Wednesday.

Flexi-Van executives refused to comment on either announcement. Since the end of March, Mr. Murdoch, who is a member of the Flexi-Van board, has raised his stake in the company to more than 50 percent, from 21 percent, of its 6.1 million common shares, fueling speculation that he intended to take over Flexi-Van.

Flexi-Van's management thought so, too. On April 6, the company charged in a suit filed in federal court that Mr. Murdoch and other shareholders were in violation of securities laws in what the company called "an unlawful plan" to take it over. In late March, before the suit was filed, Mr. Murdoch was ousted as chairman of the board, a post he had held since last June. Mr. Murdoch has been an active purchaser of Flexi-Van stock since 1980.

Some Wall Street analysts interpreted Monday's announcements as an admission by the directors that the company could not stop Mr. Murdoch from acquiring it. "Murdoch plays a pretty strong game and he has a very strong hand," said Robert D. Long, a vice president at the First Boston Corp.

"Monday's announcement suggests that Rubin will not stand for reelection at the annual meeting," Edward M. Tavlin, a senior vice president at Prescott, Ball & Turben, agreed.

"Consulting arrangements are usually entered into when people are no longer employed."

Last year Flexi-Van reported net income of \$28.5 million, or \$3.04 a share, more than double \$11.9 million, or \$1.06 a share, in 1981. Mr. Tavlin said that a change in management was unlikely to alter Flexi-Van's current strategy.

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Europeans Said to Be Cool to U.S. Pre-Summit Plan

Reuters

BRUSSELS — European governments have reacted coolly to a U.S. plan for a special meeting of trade ministers before the seven-nation, eastern economic summit beginning May 28 in Williamsburg, Virginia, said Tuesday.

The United States has suggested the ministerial conference to lay a groundwork for agreement on several issues at the annual meeting, heads of the leading industrial nations.

The diplomats said a meeting of trade ministers on April 29 in Washington and among trade and finance ministers on May 10 and 11 in Paris were almost certain to take place.

But European reluctance to agree to the talks reflected fears that it would be difficult to resolve differences over East-West trade as a dispute over farm subsidies, they added.

The diplomats said President Ronald Reagan was still pushing for an accord on a tougher trade stance toward the Soviet bloc, but at most European nations opposed any substantive economic actions against Moscow.

They added that the Europeans were that ministerial meetings read of Williamsburg could highlight these differences, while at the same time increasing public expectations of an agreement at the summit.

The other item likely to dominate any meeting of trade ministers — the dispute between the United States and the European Community over farm subsidies — was regarded as a U.S.-EC issue rather than one to be discussed among the seven, the diplomats added.

Weakness of the Yen Is Surprise to Experts

(Continued from Page 19)

of similar maturity. Since then, the interest-rate gap has narrowed considerably, to about 2.5 percent. U.S. interest rates have been rising up again since January.

A weak yen, beside increasing tensions with its key trading partners, hurts Japan in other ways. Twenty-seven percent of the country's imports are priced in dollars.

As to its basic industries, which export raw materials, are in difficulty partly because of the soft yen. Moreover, Japan has kept its interest rates higher than it would like to because of the weak yen.

About 85 percent of Japan's total trade and international capital transactions are conducted in dollars, according to Masaru Yoshida, chief economist of the government's economic planning agency.

"So our economic policy is much more sensitive to the dollar exchange rate than European nations such as Germany," Mr. Yoshida said.

Correction

The Refinement gold-indexed Eurobond referred to in Monday's weekly Eurobond comment is currently priced at 78 percent of face value rather than the 40 percent stated Monday. The bonds were issued at a face value of \$519 and are quoted at \$405.

Gold Options (quotes in \$/oz.)

Price	May	Aug.	Nov.
420	14.50/17.50	24.00/27.00	—
430	24.50/27.50	34.00/37.00	—
440	34.50/37.50	44.00/47.00	—
450	44.50/47.50	54.00/57.00	—
460	54.50/57.50	64.00/67.00	—

Gold 420.50-440.50

Valuers White Wolf S.A.
1211 Geneva 4, Switzerland
Tel. 31 02 51 - Telex 28 305

highlight these differences, while at the same time increasing public expectations of an agreement at the summit.

The other item likely to dominate any meeting of trade ministers — the dispute between the United States and the European Community over farm subsidies — was regarded as a U.S.-EC issue rather than one to be discussed among the seven, the diplomats added.

U.S. Export Changes Opposed

Mr. Reagan's proposed changes to the Export Administration Act would invite European distrust and threaten U.S. trade abroad, United Press International quoted the British ambassador to the United States, Sir Oliver Wright, as saying.

Sir Oliver said Monday at a convention in New Orleans that the plan, which would strengthen curbs on exports of sensitive goods, could "further limit American industries' ability to export, and damage the U.S. reputation as a reliable trading partner."

The changes in the export act, which expires on Sept. 30, would delete all restrictions on the types of scarce supplies the president could limit for export. It would also give Mr. Reagan authority to control imports of companies that violate U.S. laws or agreements.

Foreign critics have argued that the tight control the government exercises over the capital markets in Japan works to distort foreign currency values. But there is no evidence that the government is purposely trying to push down the value of the yen to aid Japanese exporters.

In fact, the Bank of Japan spent more than \$8 billion to prop up the yen last year.

When the answer is the Hotel Inter-Continental New York, there is no question: you've found the right choice. This hotel has looked the chrome-plated twentieth century in the face and found it unacceptable. Instead, Hotel Inter-Continental has opted for supreme elegance, grace, comfort and unfailing service. If these are your criteria for a great hotel, you've found one. And right where it will do you the most good: right in the heart of Manhattan's East Side.

HOTEL INTER-CONTINENTAL NEW YORK
The most demanding travelers stay with Inter-Continental.
48th Street, East of Park Avenue. (212) 755-6500. U.K. Reservations (01) 491 7181.

Schlumberger

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of the Shareholders of SCHLUMBERGER LIMITED (Schlumberger N.V.), the Company, will be held at Esplanade Boulevard 18, Willemstad, Curacao, Netherlands Antilles, on Tuesday, May 3, 1983, at 2:00 o'clock in the afternoon (Curacao time), for the following purposes:

1. To elect fourteen directors.
2. To report on the course of business during the year ended December 31, 1982, and to approve the Company's Consolidated Balance Sheet as at December 31, 1982, and its Consolidated Statement of Income for the year ended December 31, 1982, and to approve the declaration of dividends by the Board of Directors as reflected in the Company's 1982 Annual Report to Stockholders.
3. To amend the Declaration of Incorporation, in, among other things, create Preferred Stock.
4. To ratify amendments to Stock Option Plans.
5. To approve the appointment of Price Waterhouse as independent public accountants to audit the accounts of the Company for the year 1983.

Action may also be taken upon such other matters as may come properly before the meeting. Up to April 26th, 1983 holders of Certificates representing 3 common shares Schlumberger Limited may give voting instructions to the company under deposit of their certificates with the undersigned or by surrender of a deposit of their shares.

If no voting instructions are given the undersigned will vote for the above matters. Copies of the notice of this Annual General Meeting of Stockholders and of the Annual Report are available with the undersigned.

Amsterdam, 6th April, 1983. Spijkerweg 172. Tel. 020-21221 ext. 330.

ADMINISTRATIEKANTOOR VAN DE BANK VAN DE PAYS-BAS N.V.

Where will you stay when you're in New York?

board of directors meeting

When the answer is the Hotel Inter-Continental New York, there is no question: you've found the right choice. This hotel has looked the chrome-plated twentieth century in the face and found it unacceptable. Instead, Hotel Inter-Continental has opted for supreme elegance, grace, comfort and unfailing service. If these are your criteria for a great hotel, you've found one. And right where it will do you the most good: right in the heart of Manhattan's East Side.

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Washington, D.C.

DM 300,000,000
7 1/2 % Deutsche Mark Bonds of 1983, due 1993

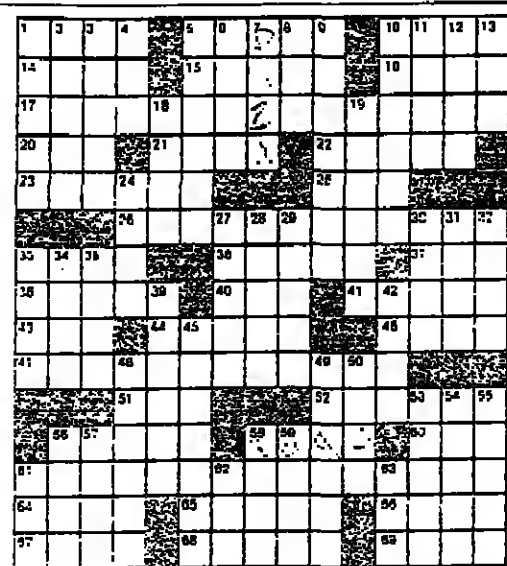
Interest: 7 1/2 % p.a., payable annually on April 15
Offering Price: 100 %
Repayment: April 15, 1993 at par
Listing: at all German stock exchanges

Deutsche Bank Aktiengesellschaft
Dresdner Bank Aktiengesellschaft
Commerzbank Aktiengesellschaft
Westdeutsche Landesbank Girozentrale

Banquehaus H. Aufhäuser
Bank für Gemeinwirtschaft Aktiengesellschaft
Bayerische Verkehrsbank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Richard Daus & Co., Bankiers
Deutsche Girozentrale — **Deutsche Kommunalkbank** — **Conrad Hünich Dörmann**
Hamburgische Landesbank — **Girozentrale**
Hessische Landesbank — **Girozentrale**
Landesbank Rheinland-Pfalz — **Girozentrale**
Merk, Finck & Co.
Norddeutsche Landesbank Girozentrale
Reuscher & Co.
Schwäbische Bank Aktiengesellschaft
Trinkaus & Burkhart
Westfälische Bank Aktiengesellschaft
Württembergische Kommunale Landesbank Girozentrale

Baden-Württembergische Bank Aktiengesellschaft
Bayerische Hypothek- und Wechsel-Bank Aktiengesellschaft
Joh. Bernburg, Goslar & Co.
Banquehaus Gebrüder Barthmann
Daldrick & Co.
DG Bank
Deutsche Genossenschaftsbank Aktiengesellschaft
Effektbank-Warburg Aktiengesellschaft
Handels- und Privatbank Aktiengesellschaft
von der Heydt-Keston & Söhne
Landesbank Saar Girozentrale
B. Metzler und Sohn & Co.
Oldenburgische Landesbank Aktiengesellschaft
Karl Schmidt Bankgeschäft
Simonsbank Aktiengesellschaft
Verkehrs- und Wesertank Aktiengesellschaft
Württembergische Kommunale Landesbank Girozentrale

CROSSWORD



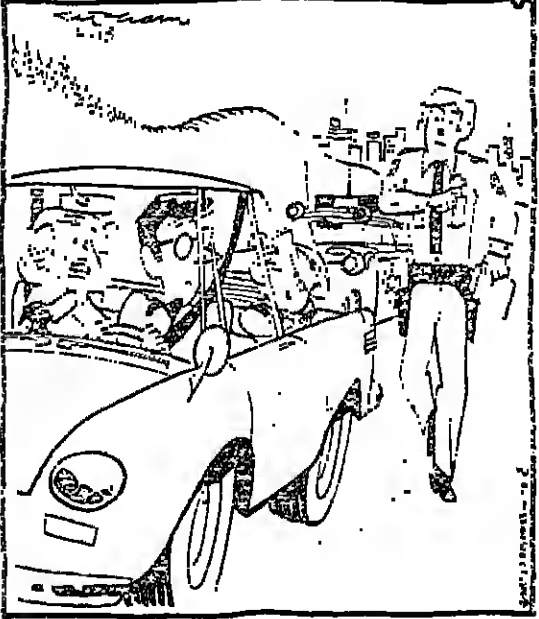
ACROSS

1 Do some sailing
3 Pan's instruments
10 Nursery word
14 Arrived at O'Hare
15 Sheeplike
16 Part of an account
17 Stooze to comic at a piano
20 Decay
21 Barret or Jaffe
22 Bees
23 Kun of brasses
25 Norris Dam agcy.
26 Comic's reply
27 Across
28 Stylis
36 Less abundant
37 Onager
38 Abhorred
40 Expense east of N.A.
41 Harkneyed
42 A follower
43 Dunsome of fiction
44 Suffix with comment
47 Stooze's second
51 Rogers or Clark
52 Punish via a fine
53 ... and grow on

DOWN

58 Othello's perfidious aide
60 Gee's opposite
61 Comic's reply to 4 across
64 Cinder follower
65 Hawk's weapon
66 Pertume
67 Garland's ending
68 Where to see risers
69 Glaswegians' headgear
DOWN
1 Dens
2 Noted columnist
3 The same
4 Biblical verb
5 Sharp
6 City in Bolivia
7 Caesar's name
8 Leading Tower
9 Ending with consili
10 Oia prehistoric
11 ... sharp as sword
12 Anathema to vegetarians
13 Golfer Alcott
18 River through 7
19 Down
19 Turn upside down
24 Thrice minus twice
27 Rubbish
28 "Socretre" composer
29 Author of "The Green Hat"
30 Show patience, in a way
31 Concerning
32 Belgian canal connector
33 Masticate
34 "Jumble" boy
35 Mississippi discoverer
42 Martha from Montaux
45 Makeups of magazines
48 Boring
49 Is it rumant
50 Followers of station and patrol
51 Cupid
52 His role for Valerie Harper
54 Moscovit play
55 Pieces of crockery
56 Temple U. team
57 ... contemiere
58 Unemployed
59 D-satched
61 Hyson is one
62 Turner or Cole
63 Witty remark

DENNIS THE MENACE



"DON'T WORRY, DAD... LET ME AND MOM HANDLE THIS. IT'S OL' NUMBER 152!"

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

Answer here: "AHTED", "NOPUD", "NEEVEL", "SNAYLY"

Now arrange the printed letters to form the words.

Answer: "AHTED", "NOPUD", "NEEVEL", "SNAYLY"

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	17	12	Bangkok	34	26
Amsterdam	17	12	Beijing	21	14
Athens	22	15	Bombay	34	26
Berlin	17	12	Buenos Aires	21	14
Bombay	34	26	Calcutta	34	26
Buenos Aires	21	14	Chongqing	21	14
Calcutta	34	26	Colombo	21	14
Chongqing	21	14	Dacca	21	14
Colombo	21	14	Dhaka	21	14
Dacca	21	14	Hankow	21	14
Dhaka	21	14	Hong Kong	21	14
Hankow	21	14	Kobe	21	14
Hong Kong	21	14	London	17	12
Kobe	21	14	Los Angeles	17	12
London	17	12	Manila	21	14
Los Angeles	17	12	Medan	21	14
Manila	21	14	Osaka	21	14
Medan	21	14	Paris	17	12
Osaka	21	14	Rangoon	21	14
Paris	17	12	Seoul	21	14
Rangoon	21	14	Singapore	21	14
Seoul	21	14	Taipei	21	14
Singapore	21	14	Tokyo	21	14
Taipei	21	14			
Tokyo	21	14			

PEANUTS

I WANT TO WRITE A BOOK

I WANT TO TELL EVERYONE HOW I GAVE UP MY BLANKET

MAYBE YOU CAN THINK OF A GOOD TITLE...

"I'll Believe it When I See it"

BLONDIE

HONEY, CALL THE CHILDREN. DINNER'S READY

DINNER'S READY EVERYBODY

WELL, YOU SAID EVERYBODY

BEETLE BAILEY

I DON'T KNOW WHAT THOSE GIRLS SEE IN THAT TENNIS PRO

WELL, HE'S YOUNG, HANDSOME, HAS A GREAT PHYSIQUE...

BUT HE'S NOT EVEN AN OFFICER!!

ANDY CAPP

YOU SAID YOU WERE ONLY GOING FOR ONE DRINK. THE SUPPLIES ARE ABSOLUTELY RUINED!

SORRY, PET, BUT AN OLD MAN WAS GRABBY OUTSIDE THE PUB AND WE HAD TO TAKE HIM HOME

LIAR! LIAR!

I TOLD YOU I SHOULD HAVE USED MY EXCUSE

THAT'S RIGHT, YOU SHOULD HAVE LEFT THE EXCUSE

WIZARD OF ID

THIS MAN WROTE A BUN CHECK FOR A NEW WAGON

IT WAS A FAIR DEAL!

HOW DO YOU FIGURE THAT?

THE WAGON FELL APART BEFORE THE CHECK CLEARED

REX MORGAN

HOW ARE YOU DOING, MR. LINDY?

YES, HE'S BEING A GOOD BOY. HE'S TAKEN A LITTLE BIT OF HIS LEG CREAM!

GOOD! THAT'LL HELP YOU GET BETTER, KEVIN!

SEE IF YOU CAN GET HIM TO TAKE SOME FLUIDS TOO!

GARFIELD

NO PETS ALLOWED

THIS IS MY SON. HE HAS A BODY HAIR PROBLEM

HOW OLD ARE YOU, SONNY?

THAT'S BABY TALK FOR "ONE GOING ON TWO"

ADDITIONAL PUZZLES

MANIA AMID SLAPS

ATOP DINE LEMIS

ROMP DRILL ELAITE

PIERROGAT VETIAW

ONIE AVAILIS

ADIEPILAP SIED

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SPORTS

A Healthy Leonard Beats Red Sox, 6-2

United Press International
KANSAS CITY, Missouri — In heartening performance, the Kansas City Royals' Dennis Leonard pitched a solid seven innings to lead his team to a 6-2 victory over Boston here today night.

After being struck by a line drive in the first inning, Leonard pitched six innings to lead his team to a 6-2 victory over Boston here today night.

BASEBALL ROUNDUP

is the right-hander worked on developing an effective hard slider. "When you break your fingers, you want to prove to yourself that you can still get that sinking pitch over," he said. "So I threw it a bit and, when the guys didn't get over the next day, I threw it even more. I've got more confidence in that pitch now than I've had in a long time."

Said Kansas City Manager Dick Howser after Monday's game: "I thought Leonard threw just about as good as he can throw." Leonard allowed six hits, striking out six and walking two to even his record at 1-1. Dan Quisenberry pitched the final two innings in posting his second save.

The winners' Hal McRae batted two runs with a pair of singles, while U.L. Washington hit an inside-the-park home run and Willie Wilson added bases-empty shots.

Washington's homer capped a two-run fifth inning that lifted the Royals to a 3-2 lead.

Boston had taken a 2-0 lead on a triple by Dwight Evans and a sacrifice fly by Jim Rice in the first and home run by Rich Gedman in the fourth.

Angels 6, Mariners 1
In Anaheim, California, Tim Lincecum in four runs with a pair of singles and Tommy John.

Major League Standings

NATIONAL LEAGUE

East

Pittsburgh 5 1 .333

Montreal 4 2 .286

New York 3 3 .231

Los Angeles 2 4 .167

Philadelphia 1 5 .077

Chicago 0 6 .000

West

San Francisco 5 1 .333

Los Angeles 4 2 .286

San Diego 3 3 .231

St. Louis 2 4 .167

Atlanta 1 5 .077

Arizona 0 6 .000

AMERICAN LEAGUE

East

Baltimore 5 1 .333

New York 4 2 .286

Los Angeles 3 3 .231

Chicago 2 4 .167

Philadelphia 1 5 .077

West

Los Angeles 5 1 .333

San Francisco 4 2 .286

San Diego 3 3 .231

Seattle 2 4 .167

Oakland 1 5 .077

Minnesota 0 6 .000

Monday's Line Scores

NATIONAL LEAGUE

San Diego 5, Los Angeles 4

Los Angeles 4, San Francisco 3

Los Angeles 4, San Francisco 3

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Severiano Ballesteros, watching a final-round putt Monday.

Ballesteros Masters Winner by 4

By Thomas Boswell

Washington Post Service

AUGUSTA, Georgia — Severiano Ballesteros, watching a final-round putt Monday.

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looks like that's what he was born to do.

The three famous fellows who had a chance of pressing Ballesteros collapsed.

Watson (73) and Floyd (75) tied for fourth at 285, one shot ahead of defending champion Stadler (76) and fast-closing Hale Irwin (69/286).

Stadler and Floyd, who started the day tied for the lead, would have needed 70s to force a playoff with Ballesteros, but neither ever made a move.

Floyd didn't get a birdie until the 17th hole. Stadler, who putted his ball entirely off the first green, came to grief in Amen Corner, bogeying the 11th (splash), 12th, 14th and 15th.

Watson started the day a stroke behind Ballesteros. After an eagle at the 555-yard No. 8, he was three under par for the day and just two shots behind. But Watson bogeyed Nos. 9, 10 and 11 — and a double-bogey at the 14th — put the last nail in his coffin.

"You can't make those kind of mistakes against a guy who puts you on the canvas three times in the first round," said Watson of his playing partner.

"He's an excellent type. ... Like Arnold Palmer, he makes as many mistakes as he does good shots, normally. But when he plays well, he can shoot the lights out."

Ballesteros re-established himself as arguably the game's most exciting player and also its most deliberately enigmatic.

His play on the first four holes, when he won the tournament in 1978, was the stuff of legend.

At the 400-yard first, he held a high, seven-iron draw against a tough left-to-right cross wind, plopping the ball down in the shadow of the stick for an eight-foot birdie putt.

At the 555-yard second, Ballesteros pumped a 305-yard drive into the wind (Watson then whistled his tee shot a few paces further). Ballesteros drilled a four-wood to within three strides of the flag, a 250-yard shot that barely cleared a trap and landed as softly as the proverbial butterfly with sore feet.

Watson answered with an equally magnificent wood, his ball flicking the flag and stopping 10 feet behind the hole.

Both walked to the green grinning like excited kids. Watson's eagle putt tipped out, but Ballesteros found the heart of the cup. Watson had started par-birdie — and had lost two shots.

After barely missing an 18-foot birdie putt at No. 3, Ballesteros hit perhaps his purest shot of the week. At the brutal 205-yard fourth, he hammered a 2-iron be-

low the brunt of the wind; the ball landed six inches dead in front of the cup and rolled backward for a one-foot tap-in deuce.

Having indeed been flattened three times, Watson said: "He came out and hit everything pure."

When Watson finally responded — reaching the uphill 535-yard eighth with two drivers and then slamming a 45-foot eagle putt into the back of the cup ("I would have gone 12 feet past"), Ballesteros was unfazed. He uncorked another 300-yard drive at No. 9 and sank a 15-footer for a bird.

Trying to match the aggressiveness of his companion, Watson three-putted.

Ballesteros's shots were as marvelous as his post-round words were troublesome — as he sat in his green jacket, he gave funny but pouty answers to simple questions.

Watson addressed the obvious

ones — about Ballesteros's bad luck, his decision to play in only eight U.S. tournaments a year, his gambling, sometimes lucky, style of play.

"I don't really know why he doesn't play here more," said Watson. "Part of it's monetary. He gets appearance money in Europe. ... Maybe that's important to him because he has a bad back and I don't know how long his career's going to be. He does have a very bad back, I know."

"I'd like to see him play here. He'd be a welcome addition. People get excited about the way he plays golf."

Of Ballesteros's good fortune — a common denominator of his victories in three majors (including the 1979 British Open), Watson said: "He had good luck in the corner, at the 11th, 12th and 13th." At 11, Ballesteros's drive hit a tree but landed in the fairway. At the 12th, he was so far up a bank behind the green that his ball could easily have been unplayable; instead, it trickled down to a gentle greenside lie.

At the 13th, he hooked wildly into the woods but got a break and chipped back to the fairway and made a brave par.

All this nettled Ballesteros, who is quite familiar with such subjects. "Was the \$50,000 payday his largest ever?" "No," he said. "But for a little Spanish, a big check."

What about the back-nine good fortune? "Why you remember only the bad shots? In Spain, they think I am a very straight driver."

The back? "You never know, I just want to be very lucky for many years. ... My back is very good. How is yours?"

Is he appreciated enough in America? "I am very happy with the gallery. I like them, they like me. I like you, too. I just make a few jokes."

Perhaps that is all. Certainly Ballesteros was radiant at sundown Monday. "It was very sweet," he said. "But the first one is always the best."

To his fellow pros, Ballesteros is no psychological conundrum. He is the man they look to as the game's current state-of-the-art magician.

At the Tournament Players Championship, said Crenshaw, "We were practicing difficult bunker shots. Seve said, 'Want to see me do that with a 2-iron?' And he started hitting great sand shots with a 2-iron, shots with the same spin as our sand wedges."

"He has shots nobody else has thought of," said Crenshaw. "You may think he's in trouble, but he's not in trouble."

When Ballesteros plays as he did Monday, it's the rest of the golfing world that's in trouble.

Masters Results

Seve Ballesteros, 59,000

Arnold Palmer, 59,000

Tom Watson, 59,000

Rory Flanagan, 59,000

Hale Irwin, 59,000

Greg Norman, 59,000

Jack Nicklaus, 59,000

Tommy McElven, 59,000

Keith Ferguson, 59,000

Isaac Aoki, 59,000

Peter Oosterhuis, 59,000

Mark Hayes, 59,000

Fuzzy Zoeller, 59,000

Peter Jacobsen, 59,000

Tom Weiskopf, 59,000

Nick Faldo, 59,000

